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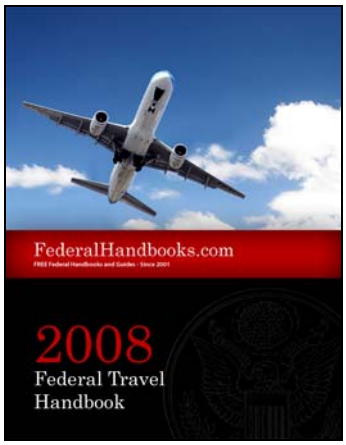

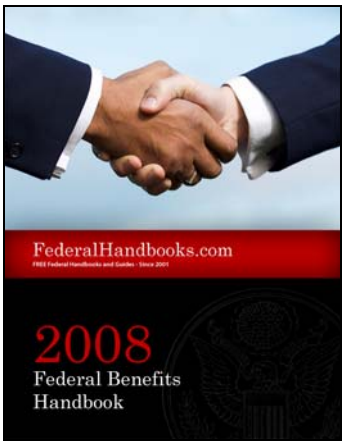

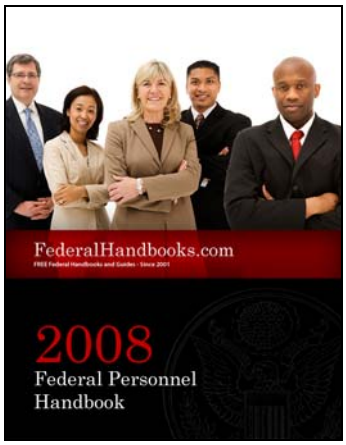

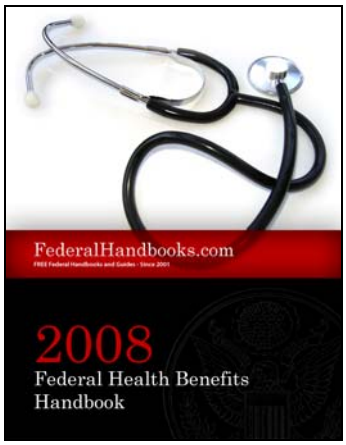

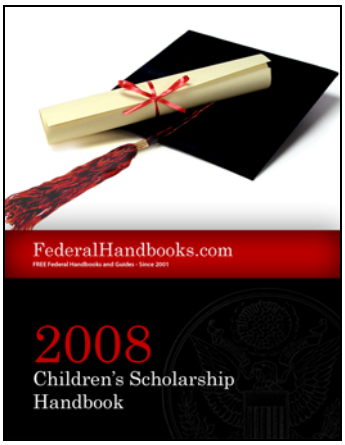

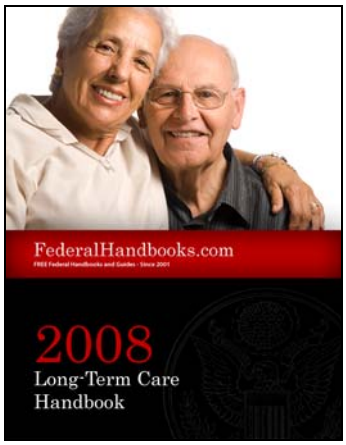

2008 Federal Retirement Handbook

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1

Financial Planning Overview

When people think of retirement planning, usually the first thing that comes to mind is the financial aspect of retirement – whether they will have enough money to enjoy a comfortable lifestyle after they retire. As a general rule, financial experts estimate that you need between 70% and 100% of your pre-retirement income to maintain your standard of living when you quit working. The conventional wisdom is that if you are a higher-income earner, you will need closer to 70% of your pre-retirement income, while lower-income earners will need closer to 100% of their pre-retirement income. But while this 70-100% guideline can be helpful, it's crucial that you sit down and figure out exactly how much money you will need, based on your particular circumstances. Issues such as whether you own your home, are planning to pay for a child's education or pay for care for an elderly parent, or will relocate to an area with a lower cost of living, will all play an important role in determining whether you have enough money for retirement.

Figuring out whether you have enough money to retire is not all that complicated. You need to know three things – when you plan to retire, so you can determine how much longer you have to save; an estimate of what your expenses will be when you retire; and an estimate of your income during retirement. You can then ascertain whether you'll have enough retirement income to cover all of your expenses.

Estimating Your Retirement Expenses

The first step in planning for your retirement is estimating your expenses. Make a list of all your current expenses – from your mortgage, to groceries, car payments, utilities, entertainment, and so forth. Then determine which expenses you will no longer incur during your retirement – such as commuting costs and the like – and cross them off your list. You can use your current monthly budget, if you have one, as a starting point.

Give some careful thought to the lifestyle you plan to lead in retirement. Do you intend to travel extensively? Will you pursue inexpensive or costly hobbies? Will you move to a smaller residence, or an area with a lower cost of living? Do you plan to work part-time? Will you keep two cars or just one? Remember that certain costs – for health care, entertainment, restaurant meals and so forth – may actually increase during your retirement years because you have more leisure time. Your goal is to come up with a realistic estimate of your monthly retirement expenses.

Also, remember that inflation will have an impact on both your retirement expenses and retirement income. One of the simplest ways to take this into account in your retirement planning is to use an online retirement calculator to help you. (See Appendix A for a list of calculators that are available over the Internet.)

Calculating Your Retirement Income

The next step is to calculate how much income you will have coming in during your retirement. To do this, find out how much you can expect to receive from the Civil Service Retirement System (CSRS) or Federal Employee Retirement System (FERS), Social Security, the Thrift Savings Plan, stocks, bonds, certificates of deposit, and any other savings or investments, to determine your monthly retirement income. Don't forget any rental income you may have, or income from individual retirement accounts (IRAs). Analyze your entire retirement portfolio to determine how much income you can expect after you retire.

One quick way to calculate a rough estimate of your monthly income from your retirement accounts is to do the following: Add up all the money in your retirement savings and/or investment accounts. Multiply the sum by a low rate of interest. Divide it by 12. This will give you your pre-tax monthly income. Multiply the pre-tax monthly income by your tax bracket, and subtract that amount to get your after-tax monthly income. Here's an example:

Total in Sam's retirement accounts	$	205,000
Multiply by interest rate of 5%	x	.05
	$	10,250
Divide by 12 months		12
Sam's monthly pre-tax income	$	854.17
Multiply by Sam's 25% tax bracket	$	854.17
	x	.25
Amount Sam owes in monthly taxes	$	213.54
Subtract monthly taxes from pre-tax income	$	854.17
	-	213.54
Sam's monthly after-tax income	$	640.63

To find out how much you can expect from your FERS or CSRS retirement, a good place to start is your agency's personnel office. Not only can they give you guidance about your federal retirement benefits, but also such a visit will allow you to review your Official Personnel Folder (OPF) to make sure there is verification of all of your civilian and military service. If any of your records are missing, the personnel office can assist you in documenting the service and obtaining any missing records. Be sure to visit your personnel office well before you plan to retire, so that if there are any unexpected problems, such as missing records, you have plenty of time to correct them.

Once you've figured out your monthly retirement expenses and income, you'll have made good progress in determining where you stand in saving for your retirement. But that's not the whole picture. You need to keep a few more things in mind when planning for your retirement.

Tips For Saving For Retirement

Plan on having a long retirement

Gone are the days when the average American retired at age 65, and then lived for only 5 or 10 more years. These days, Americans are living longer than ever before. While the average life expectancy for an American is now about 76 years, remember that this number takes into account those who die at a young age, and so does not tell the whole story. For instance, an American who has reached age 65 today can likely expect to live another 20 years – or until they turn 85. The point is, when planning your retirement, don't underestimate how long you think you will live. The last thing you want to do is run out of money in your later years! Be conservative – premise your retirement plan on the assumption that you will live to be about age 90.

Don't put off saving

If you haven't been saving for retirement, don't despair. But start saving for your retirement NOW, and save as much as you possibly can. While it's often difficult for people to save for retirement in their younger years – because their earnings tend to be lower and monthly expenses may eat up all their income – the one thing young workers have going for them is time. Saving even just a little now can mean a big pay-off years down the road. The secret? Compound interest! An example will help drive home the point:

Jane makes a $2,000 contribution to an individual retirement account (IRA) every year for 8 years, beginning when she is 25 years old. Then, she makes no more contributions. Steve makes the same $2,000 per year IRA contribution for 8 years, but he starts making his contributions at age 30. The result? Assuming each earned 8% annually on their contributions, at age 65, Jane would have approximately $270,000 on her initial $16,000 contribution, while Steve would have merely $180,000 on his $16,000 contribution.

The lesson is clear. While you can't turn back the hands of time to start investing earlier, you can start saving for your retirement today. Aim to save at least 10% of your income each year. Invest your savings for long-term growth. At the

end of 20 years or so, you should have accumulated a comfortable nest egg. If you simply can't save 10%, then save as much as you possibly can.

Max out your Thrift Savings Plan (TSP) Account

Similar to a 401(k) plan, the TSP permits you to make pre-tax contributions every time you get paid. You decide how much to allocate to your TSP, up to a certain limit. The TSP allocation is taken out of your gross pay, and your paycheck is reduced by that amount. The allocated amount goes directly into your TSP account, which you can invest in various funds. In 2007, FERS and CSRS employees could contribute up to $15,500 of their basic pay to the TSP.

Be aware that President Bush signed legislation (P.L. 107-304) on November 27, 2002 authorizing a program of "catch-up" contributions for TSP participants age 50 and over who are already contributing the maximum they can to the TSP without exceeding the IRS limit. The maximum allowable amount for catch-up contributions for 2007 is $5,000; thereafter, increases will be indexed to inflation. There are two tax benefits to investing in the TSP. First, your TSP contributions are taken out of your pay before taxes are computed. Second, taxes on contributions and attributable earnings are deferred until you withdraw your money.

The before-tax benefits of investing in the TSP are considerable. With before-tax contributions, the money you contribute is taken out of your pay before federal and, in almost all cases, state income taxes are calculated. Thus, the amount used to calculate your taxes is smaller and you pay less in taxes now. By paying less current income tax, you have more take-home pay than if you had put aside an equal amount in savings after taxes were deducted. Your TSP contributions are excluded from the taxable income reported on the Form W-2, Wage and Tax Statement, that you receive from your agency each year. Thus, you do not report them on your annual federal tax return. This special tax treatment does not affect your salary of record for other federal benefits - such as the FERS Basic Annuity, the CSRS annuity, or life insurance - nor does it affect Social Security or Medicare taxes or benefits.

To give you an idea of the advantage of saving through before-tax contributions to the TSP, let us suppose that you are a CSRS participant earning basic pay of $30,000 a year. Let us also assume you are in the 15 percent tax bracket. If you contribute 5 percent each pay period (or $1,500 per year) to your TSP account, you will owe $225 less (15% x $1,500) federal tax in the current year than if you had not contributed to the TSP, but rather saved the $1,500 after paying taxes that apply to it. This is because when you save through the TSP, your contributions are not included in the amount on which your tax is calculated. The difference in your tax bill will be even greater if the state in which you live permits tax-deferred savings, as most states do.

By contributing to the TSP, you benefit from tax-deferred contributions and earnings in your TSP account because you defer (that is, postpone) paying federal taxes on the money you contribute until you withdraw the funds from your TSP account. In addition, over the years, the money in your account will accrue earnings. These earnings are also tax-deferred. This means that you do not pay income taxes on your TSP account contributions and earnings until you receive the money - usually after you retire, when your tax bracket may be lower.

Deferring the payment of taxes means that more money stays in your account, working for you. The longer your money is invested, the greater the benefit of tax-deferred earnings. Whether you can also defer state or local income taxes depends on the jurisdiction in which you live.

Another significant advantage for FERS (but not CSRS) employees is that they are entitled to agency matching contributions for their TSP accounts. If you are a FERS employee, your agency makes two different types of contributions to your TSP account as part of your FERS benefits. These contributions are not taken out of your pay, nor do they increase your pay for income tax or Social Security purposes.

First, when you become eligible for agency contributions, your agency will automatically contribute to your TSP account an amount equal to 1 percent of your basic pay each pay period. These are your Agency Automatic (1%)

Contributions. You will receive these contributions whether or not you contribute your own money to your TSP account.

Second, if you are contributing to your TSP account, your agency also makes Agency Matching Contributions once you are eligible for them. If you do not contribute your own money, you will not receive Agency Matching Contributions. Matching contributions apply to the first 5 percent of pay that you contribute each pay period. Your contributions are matched dollar-for-dollar for the first 3 percent of pay you contribute each pay period and 50 cents on the dollar for the next 2 percent of pay. Your agency will not match the contributions that you make above 5 percent of your pay each pay period. However, you will still benefit from before-tax savings and tax-deferred earnings on these contributions.

The fact that your agency adds to your contributions will make your TSP account grow faster. Your Agency Automatic (1%) and Matching Contributions can add up to 5 percent of your basic pay. Here's how it works:

Percent of Basic Pay Contributed to Your Account
(FERS Employees Only)

	Your agency puts in:		
You put in:	Automatic (1%) Contribution	Agency Matching Contribution	And the total contribution is:
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%

Amounts you contribute above 5% are not matched.

And don't worry that you won't have the money available if you need it to purchase a home, or for an emergency. The TSP loan program allows you to borrow the money you contributed and the earnings on that money, and pay yourself back with interest.

Be aware, however, that effective July 1, 2004, the TSP made three changes to the loan program: (1) a $50 fee will be deducted from the amount of each new loan; (2) you will no longer be able to have two general purpose loans at the same time, although you will still be able to have one general purpose loan and one residential loan; and (3) when you pay off a TSP loan, you will not be eligible to apply for another loan of the same type for 60 days.

The bottom line is, whether you are covered by CSRS or FERS, participate in the TSP as soon as you are eligible, and make the largest contribution you can. If you are a FERS employee, make sure you try to contribute a minimum of 5% so that you take full advantage of your agency's matching contributions. By making the highest contribution you can to the TSP, you will realize significant tax benefits while saving for retirement. An added bonus is that the money is taken out of your pay before you even receive your paycheck – which means you won't be tempted to spend it instead of saving it for retirement.

Contribute to an IRA annually

Try to contribute to an individual retirement account (IRA) annually. IRAs are tax-deferred or tax-free accounts intended specifically for retirement. You can contribute up to $4,000 to an IRA in 2006. Those age 50 and older can contribute an additional $500 in "catch up" contributions in 2007.

There are two types of IRAs – the Roth IRA and the Traditional IRA

In some cases, you can deduct your IRA contribution. Talk to your financial advisor about which IRA is best for you. Remember that with both the Traditional and the Roth IRA, withdrawals prior to age 59½ may be subject to a 10% early withdrawal penalty (although there are some exceptions, such as withdrawal for a first time home purchase or for college expenses). With a Traditional IRA, you must make withdrawals upon reaching the age of 70½. There are no mandatory distributions for a Roth IRA.

In 2008, the limit is $5,000 for those under 50, while those 50 and older can contribute up to $6,000. Keep in mind that there may be income limits that apply. See your financial planner for more details.

Investigate long-term care insurance

An extended stay in a nursing home – at an average cost of $100 a day - can wipe out all of your hard-earned savings in just a few years. One of the most important things you can do to protect your retirement savings is to purchase a long-term care insurance policy. Realize that health insurance does not cover long-term care costs, and Medicare and Medigap policies either don't cover these costs, or provide very limited and restrictive benefits. With the average nursing home stay approximately 2.9 years, that $100 a day expense will add up to more than $100,000 over the nearly 3-year period. If you are age 49 or older, you should look into the possibility of purchasing a long-term care policy.

Allocate your retirement investments appropriately

Asset allocation is one of the most important factors in determining the overall performance of your investment portfolio. Generally speaking, you will want to balance your portfolio by investing in several different categories, such as stocks, bonds, international securities, and cash equivalents. Your goal should be to grow your money while minimizing your risk. Since stocks tend to be high-growth but also high-risk, you may want to allocate a higher percentage of your portfolio to stocks when you're younger, and move to lower-risk, lower-growth bonds as you near retirement. With that said, however, it's important for older investors not to get too conservative in their investing. Too much emphasis on low-risk, low-growth investments can erode the value of your savings over time if inflation outpaces your rate of return on your investments. Seek the advice of a professional investment advisor to help you determine the best way to allocate your investments.

Plan for the effects of inflation

While inflation rates have varied widely over the past 30 years, the fact is that an inflation rate of at least 4% appears here to stay. As mentioned above, that means that the nest egg you've saved over the years is not going to buy as much 10, 20, or 30 years down the road. Consequently, it's crucial that the returns on your investments exceed the rate of inflation. If they don't, you're actually losing money.

Think about when to start drawing Social Security

If you are eligible to collect Social Security, you need to think about when you want to start drawing it. As early as age 62, you can start receiving a reduced Social Security benefit. You will become eligible for full retirement benefits sometime between the ages of 65 and 67, depending on the year you were born. (Because of a change in the law in 1983, the full retirement age is gradually increasing from age 65 for those born in 1937 or earlier, to age 67 for those born in 1960 or later.) If you delay retiring, you may be eligible for an additional benefit. There is some conflicting advice in the financial planning world about the best time to begin drawing Social Security, with some recommending drawing reduced benefits at age 62 and investing that money, and others suggesting it's better to wait and collect full retirement benefits or even delayed retirement benefits. Be sure to read the Social Security chapter in this handbook, and consult with your financial planner to help you decide what is best for you. Regardless, you should contact your Social Security office three months before your 65th birthday to enroll in Medicare.

Reevaluate your retirement plan every year
Be sure to sit down and do a "retirement check-up" each year. This is important because your circumstances may change – you may have another child to put through college or your health care costs may increase significantly – so you need to take that into account, and keep your plan current. Reviewing your retirement plan annually will help you make changes as they are needed.

Consult with a tax expert and / or a financial advisor
The rules governing investing and taxes are quite complicated, and can change every couple of years. Be sure to seek guidance from a tax expert and/or a financial advisor before making major decisions about your investments. The last thing you want to do is run afoul of the IRS, or make a costly error with your hard-earned retirement savings!

What To Do If You Come Up Short

You've done your homework and discovered that your retirement expenses are going to exceed your retirement income. What can you do now? Quite simply, you are going to have to figure out a way to increase your income and/or reduce your expenses. Here are some ideas to get you started:

1. Postpone your retirement. While you might like to retire at a particular age, this may not be realistic given the high cost of retirement. You may need to postpone retirement and continue working a few additional years to allow yourself time to save more. The longer you work, the longer you have to save for retirement. And working longer also means a delay in when you start drawing on your retirement money. It may also increase your retirement benefits if your salary rises in those years. Another alternative to consider is working part-time after you retire.

2. Have your spouse continue – or start – working. Another option is for your spouse to continue – or start – working, either full or part-time.

3. Bank your pay raises by maintaining – instead of increasing – your standard of living. The truth is that there are millions of people who don't make a lot of money and retire comfortably. And there are just as many people who earn substantial salaries, but who haven't saved enough money for retirement. The key is learning to get by with a little less, so you can save more. One technique for saving is to "bank" – or save – your pay raises or bonuses. Whenever you receive a raise or bonus, put the extra money into saving for your retirement, rather than spending it.

4. Move to a less expensive residence. Consider moving into a smaller house or apartment to save on your retirement expenses. At the very least, the move should lower your living expenses, permitting you to put the difference into savings. If you have a significant amount of equity in your home, you might have money left over from the sale that you can then plow into savings. If you have owned and used the home as a principal residence for at least two of the last five years, single taxpayers can exclude up to $250,000 of capital gain on the sale of the home, and married taxpayers filing jointly can exclude up to $500,000.

5. Move to a less expensive geographic area. Another alternative is to move to a less expensive geographic area. If you live in an area with a high cost of living, look into areas that are cheaper to live. Some things to consider when looking at different areas are housing costs, food costs, state income taxes, and the like. You may be able to live just as comfortably in another area of the country for a lot less.

6. Reduce your debt. Lower your debt as best you can – especially before you retire. Reduce your debt - and your interest payments - by eliminating the debt with the highest interest rates first. Since credit card debt usually carries the highest interest rates, organize your credit card debt from the highest to the lowest interest rates, and pay off the card with the highest interest rates first. Once you've paid off the credit card with the highest

rate, move on to paying off the credit card with the next highest interest rate. Continue doing this until you have all of your credit cards paid off. Once you've paid off all of your credit cards, look at whether it makes more sense to pay off other debts – such as a car or a mortgage – or to invest that money. This will depend on whether the rate of return you can get from investing the money is higher than the interest you must pay on your debt. Seek the advice of a financial advisor to help you determine what's best for your particular situation. In general, of course, less debt is good. If you can start your retirement with no credit card debt, no car loans, and your mortgage completely paid off, you've come a long way in preparing for your retirement.

7. Take a hard look at your insurance. Examine all of your insurance policies and ask yourself two questions – whether you need the insurance, and if you do, whether you are getting the best deal possible. If you have life insurance policies on your children, for example, consider getting rid of those policies. Generally, there's no reason to have such policies on your children. For homeowners insurance and car insurance, shop around for the best deal. You may also want to speak with your insurance agent about whether it makes sense to raise the deductible amounts on these policies to lower your premiums.

8. Consider not having taxes withheld on your pension payments. Once you are retired, you can choose whether you want to have taxes withheld on your pension check, or whether you want to make a quarterly payment to the IRS for your estimated taxes. By having taxes withheld, you are essentially giving the IRS an interest-free loan on your money. Instead of letting the IRS use this money, you could have it earning interest for you in your account. If you want to pay estimated taxes instead of having the taxes withheld, sit down with your tax preparer and have them calculate how much you'll owe. You'll also want your tax preparer to prepare voucher slips with the correct dollar figure on them so you know exactly how much to send in to the IRS each quarter. The downside of going the estimated tax route instead of the withholding route is two-fold. First, it will require a little extra work on your part to calculate and mail in the quarterly payments. Second, you'll need to plan ahead so that you have enough money budgeted for your estimated taxes each quarter. But again, the advantage of making the estimated payments is that you get to hold onto your money for longer and earn interest on it.

9. Look at all of your expenses – such as a second car – with an eye towards eliminating some of them. Again, retirement planning is not particularly complicated. It's a matter of making sure your income will cover your expenses. If it won't, take a hard look at each of your expenses to see if you can eliminate or reduce some of them. For instance, do you need a second car? If you can do without, you will not only rid yourself of a car payment (if you have one), you'll eliminate the insurance costs and taxes that come with owning that car. You may want to consider moving to an area that offers convenient public transportation, so that you can manage with just one vehicle. Naturally, determining what expenses you are willing to cut and what expenses are essential is a highly personal decision. But the point is, when you examine your expenses, go through them one by one and think about each one carefully to see if there's any way to reduce or eliminate it. You may surprise yourself with some creative solutions.

10. Plan to draw down your savings. In some circumstances, you may want to consider drawing down your retirement savings over a lengthy period of time. The most conservative approach to retirement planning, of course, is to plan to leave your "nest egg" intact and live off of the income generated by the savings. For those who do not have enough of a nest egg saved to live off of the income, though, the conservative approach may not be a practical approach. If drawing down your retirement savings is something you think you may have to do, you should definitely seek the advice of a competent financial advisor before you begin. This is not a calculation you should try to make on your own! There are significant risks associated with this strategy – such as depleting all of your retirement savings in your old age. This is an option, but it is generally used as a last resort. Consult with your financial advisor first!

While this handbook shouldn't serve as your sole source for retirement information, it is intended to get you thinking about – and planning for – the kind of retirement you would like to enjoy. Be sure to check out the Appendices in this handbook for a list of useful online retirement calculators and other resources.

2

The Civil Service Retirement System

The Civil Service Retirement System (CSRS) was created in 1920 and was the only retirement plan for most Federal civilian employees until 1984. CSRS is a defined benefit retirement plan that provides retirement, disability, and survivor benefits.

When You May Retire

You may retire under the Civil Service Retirement System (CSRS) at the following ages, and receive an immediate annuity, if you have at least the amount of Federal service shown:

Type of Retirement	Minimum Age	Minimum Service (Year)	Special Requirements
Optional	62	5	None
	60	20	None
	55	30	None
Special Optional	50	20	**Special Optional** - You must retire under special provisions for air traffic controllers or law enforcement and firefighter personnel. Air traffic controllers can also retire at any age with 25 years of service as an air traffic controller.
Early Optional	Any Age* 50*	25 20	**Early Optional** - Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function as determined by the Office of Personnel Management.
Discontinued Service	Any Age* 50*	25 20	**Discontinued Service** - Your separation must be involuntary and not a removal for misconduct or delinquency.
Disability	Any Age	5	**Disability** - You must be disabled for useful and efficient service in your current position and any other vacant position at the same grade or pay level within your commuting area and current agency for which you are qualified.**

* Annuity is reduced if under age 55.

** Application must be prior to retirement, or within 1 year of separation, except in cases of mental incompetence.

How Annuities Are Computed

Your basic annuity is computed based on your length of service (which includes unused sick leave if you retire on an immediate annuity) and "high-3" average pay. To determine your length of service for computation, add all your periods of creditable service, and the period represented by your unused sick leave, then eliminate from the total any fractional part of a month. Your "high-3" average pay is the highest average basic pay you earned during any 3 consecutive years of service. Generally, your basic annuity cannot be more than 80 percent of your "high-3" average pay, unless the amount over 80 percent is due to crediting your unused sick leave.

Your yearly basic annuity is computed by adding: (a) 1 1/2 percent of your "high-3" average pay times service up to 5 years; (b) 1 3/4 percent of your "high-3" pay times years of service over 5 and up to 10; and (c) 2 percent of your "high-3" pay times years of service over 10.

Your basic annuity will be reduced if: (a) you retire before age 55 (unless you retire for disability or under the special provisions for law enforcement officers, air traffic controllers, and firefighters); (b) you didn't make a deposit for service performed prior to October 1, 1982, during which no deductions were taken from your pay (non-deduction service after that date is not used in the computation of benefits if the deposit is not paid); (c) you didn't make a redeposit of a refund for a period of service that ended before October 1, 1990; or (d) you provide for a survivor annuitant.

Your annuity will be increased periodically by cost-of-living increases that occur after you retire. Your initial cost-of-living increase will be prorated based on how long you have been retired when that cost-of-living increase is granted.

Credit for Military Service

As a general rule, military service in the Armed Forces of the United States is creditable for retirement purposes if it was active service terminated under honorable conditions, and performed prior to your separation from civilian service for retirement. Military service performed on or after January 1, 1957, is normally creditable for Social Security benefits at age 62. Individuals first employed before October 1, 1982, have the option of either (1) making a 7 percent deposit for post-1956 military service, thereby avoiding a reduction in their CSRS annuity at age 62, or (2) not making the deposit and having their annuities reduced at age 62 if they are then eligible for Social Security benefits. Employees first hired by the Federal Government on or after October 1, 1982, must make the deposit or receive no credit at all, including eligibility to retire, for military service.

Disability Retirement

If you retire for disability, you may be guaranteed a minimum annuity equal to the smaller of: (a) 40 percent of your "high-3" average pay, or (b) the regular annuity obtained after increasing your service by the time between your retirement and your 60th birthday. This guaranteed minimum applies if you are under age 60 when you retire and your earned annuity based on your actual service is less than this minimum.

Exception: The guaranteed minimum does not apply if you are receiving military retired pay and/or VA compensation in lieu of all or part of the military retired pay. However, if your earned annuity plus your military benefit (or compensation) is less than what it would have been under the guaranteed minimum, the annuity is increased to bring it up to that level.

If You Retire Before Age 55

If you voluntarily retire during a major reorganization, reduction-in-force, or transfer of function, or if you are involuntarily separated and are younger than 55, your basic annuity will be reduced by one-sixth of 1 percent for each full month you are under 55.

There is no age reduction if you retire under the disability provision or under the special provisions for air traffic controllers, law enforcement officers, and firefighters.

If You Die in Service

If you die after 18 months of civilian service your widow(er) will get an annuity, provided you were married for a total of 9 months. The 9-month requirement does not apply if your death is accidental or there is a child of the marriage.

Generally, your widow(er) is entitled to 55 percent of the basic annuity earned by your creditable service and average salary. However, if it will produce a higher annuity, your widow(er) will receive 55 percent of the guaranteed minimum benefit described under "Disability Retirement."

Note: If you have a former spouse from whom you were divorced after May 6, 1985, he or she may receive, by court order all or a part of the annuity that your widow(er) would otherwise get.

Your unmarried children will also be entitled to annuities if you die in service. Their annuities will continue until they reach age 18, or age 22 if they remain in school full-time. The annuity of a child who is incapable of self support because of a disability incurred before age 18 will continue indefinitely unless the child becomes capable of self support.

Providing for Your Survivors on Retirement

If you are married when you retire, your annuity will be reduced to provide a full survivor annuity for your spouse (unless he or she consents to a lesser benefit). To provide for a survivor annuity, your annuity will be reduced by 2.5 percent of the first $3,600, plus 10 percent of the annuity over $3,600. The survivor annuity will be 55 percent of the amount of your annuity before this reduction. Note: If you were divorced after May 6, 1985, your former spouse may receive by court order, all or part of the survivor annuity that your current spouse would otherwise get. You can also elect a survivor annuity for a former spouse (but if you are married, you must get your spouse's consent).

If you are not retiring for disability, and are in reasonably good health, you can provide a survivor annuity for a person who has an "insurable interest" in you such as a relative who is in your care, or a current spouse who would not otherwise get a survivor annuity because of a court-ordered award to a former spouse. To provide this benefit, your annuity would be reduced from 10 to 40 percent depending on the difference in your age and the age of the person named. This reduction would be added to any reduction required to provide a survivor annuity for a spouse or former spouse.

If You Leave the Service

If you leave Federal employment before you are eligible for an "immediate" annuity, you can either have your deductions returned or leave the money in the retirement fund. If you have completed at least 5 years of civilian service and you leave your money in the fund, you will be entitled to a "deferred" annuity at age 62.

Making Payments For Previous Service

If retirement deductions were not taken from your pay during certain periods of service, you will need to pay these deductions into the retirement fund to receive full credit for the service. If you had a refund of retirement deductions for prior service, you must repay this money into the retirement fund to receive credit for service in your retirement benefits. Exception: If you retire (other than on disability) while owing a redeposit of a refund for service that ended before October 1, 1990, you will not be required to pay the redeposit in order to receive credit for that refunded service. Instead, full credit for the refunded service will be allowed in computing your annuity, but the annuity will be actuarially reduced.

Alternative Form of Annuity

Some retirees can choose to receive an Alternative Form of Annuity, if they are eligible due to a life-threatening illness or other critical medical condition. Under this option, you receive a reduced monthly benefit, plus a lump sum payment equal to all your unrefunded contributions to the retirement fund. The amount of reduction in your monthly benefit depends on your age at the time you retire, and the amount of your retirement contributions. Your election of an

Alternative Form of Annuity will not affect the potential survivor annuity payable to your spouse or children. However, you must have your spouse's consent to make this election.

You cannot choose the Alternative Form of Annuity if you are retiring for disability or if you have a former spouse who is entitled to court-ordered benefits based on your service. In addition, you may not elect the Alternative Form of Annuity unless you have a life-threatening medical condition.

CSRS Offset Employees

You are a "CSRS Offset" employee if you are one of the employees covered by CSRS and Social Security at the same time. You will be eligible to receive a CSRS annuity just as if you were covered by CSRS alone, except that the annuity payment will be reduced when you become eligible for Social Security benefits. The amount of the reduction will be the amount of the Social Security benefit attributable to your service after 1983 that was covered by both CSRS and Social Security. A survivor annuity based on your service will be reduced for any survivor Social Security benefits in the same manner.

3

The Federal Employees Retirement System

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

FERS is a three-tiered retirement plan including the following components:

1. Social Security Benefits
2. Basic Benefit Plan
3. Thrift Savings Plan

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

Social Security

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

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

Social Security programs provide:

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

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

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

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

Benefits are subject to individual and family maximums.

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

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

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

Basic Benefit Plan

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

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

Creditable Service
Creditable service generally includes:

- Federal civilian service for which contributions have been made or deposited.
- Military service, subject to a deposit requirement. To receive credit for military service, generally, you must deposit 3% of your military base pay. Interest begins 2 years after you are hired. With certain exceptions, you cannot receive credit for military service if you are receiving military retired pay. Also, see the note that follows on credit for National Guard service.
- Leaves of absence for performing military service or while receiving workers' compensation.

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

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

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

- The service must interrupt civilian service creditable under the Civil Service Retirement System (or FERS) and be followed by reemployment in accordance with the appropriate chapter of the laws concerning Veterans Benefits; and
- It must be full-time (and not inactive duty), and performed by a member of the U.S. Army National Guard, or U.S. Air National Guard; and
- It must be under a specified law and you must be entitled to pay from the U.S. (or have waived pay from the U.S.) for the service.

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

Contributions
Your contribution to the Basic Benefit Plan is the difference between 7% of your basic pay and Social Security's old age, survivor, and disability insurance tax rate, or 0.80%.

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

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

- Immediate, and Postponed
- Early
- Deferred

Eligibility is determined by your age and number of years of creditable service.
In some cases, you must have reached the Minimum Retirement Age (MRA) to receive retirement benefits. The following chart shows the MRA.

Minimum Retirement Age

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

Immediate or Postponed

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

Age	Years of service
62	5
60	20
MRA	30
MRA	10*

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

Early

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

Age	Years of service
50	20
Any age	25

Deferred

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

Age	Years of service
62	5
60	20
MRA	30
MRA	10*

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

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

Benefit Formula

How your benefit is calculated as follows. Your benefit is based on your "high-3 average pay." This is figured by averaging your highest basic pay over any 3 consecutive years of creditable service.

Generally, your benefit is calculated according to this formula:

1% of your high-3 average pay
times
years of creditable service

If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%.
To determine your length of service for computation, add all of your periods of creditable service, then eliminate from the total any fractional part of a month (less than 30 days).
Depending on the category of retirement benefits you receive, your benefit may be reduced as described in the "Retirement Options" section. For example, the total could be reduced if you elect to retire at the minimum retirement age before completing 30 years of service.

Special Retirement Supplement
If you meet certain requirements, you will receive a Special Retirement Supplement, which is paid as an annuity until you reach age 62. This supplement approximates the Social Security benefit earned while you were employed by the Federal government. You may be eligible for a Special Retirement Supplement if you retire:

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

If you transfer to FERS from CSRS, you must have at least one full calendar year of FERS-covered service to qualify for the supplement.

If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your Special Retirement Supplement will be reduced or stopped.

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

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

A lump sum payment
plus
the higher of
1/2 of your annual pay rate at death
or
1/2 of your high-three average pay.

The lump sum payment increases by cost-of-living adjustments each year.

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

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

A married retiree's annuity is automatically reduced to provide spouse survivor benefits unless those benefits are jointly waived in writing by the retiree and the spouse before retirement. Your annuity is reduced 10% to give your surviving spouse:

An annuity of 50% of your unreduced benefit
plus
a special supplemental annuity payable until age 60,
if your spouse will not be eligible for Social Security survivor benefits until age 60.

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

Separate provisions apply to spouses of disabled annuitants.

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

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

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

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

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

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

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

The Benefits
The first year, the benefits are calculated as follows:

60% of your high-3 average pay
minus
100% of any Social Security disability benefits to which you are entitled.

After the first year and until age 62, if your disability prevents you from performing your job and you do not qualify for Social Security disability benefits, your benefit will be 40% of your high-3 average pay.

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

If your earned annuity rate (1% x high 3 average salary x years of service) is higher than the above rates after the reduction for Social Security, you will receive the higher benefit. When you reach age 62 your disability benefit will be recomputed. Essentially, you will receive the annuity you would have received if you had not been disabled, but had continued working until age 62. For purposes of this recomputation, your average salary will be increased by all FERS cost-of-living adjustments that took effect while you were receiving a disability annuity.

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

Cost-of-Living Adjustments (COLA's)
Survivors and disability retirees receive a COLA regardless of their ages. However, disability retirees receiving 60% of their average pay do not receive a COLA during the first year. All other retirees begin to receive COLA's at age 62.

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

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

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

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

Thrift Savings Plan

The third part of your FERS benefit is the Thrift Savings Plan (TSP). The TSP is a tax-deferred retirement savings and investment plan that offers you the same type of savings and tax benefits that many private corporations offer their employees under 401(k) plans. By participating in the TSP, you have the opportunity to save part of your income for retirement, receive matching agency contributions, and reduce your current taxes.
Your thrift account is the part of your retirement that you control - you decide how much of your pay to put in your thrift account, how to invest it, and, when you retire, you decide how you want your money paid out.

Firefighters, Law Enforcement Officers, and Air Traffic Controllers
These groups of employees receive an unreduced benefit at age 50 with 20 years of service, or at any age with 25 years of service. If you are in one of these employee groups, you contribute an additional .5% of pay to FERS. Your annual annuity is:

1.7% of your high-3 average pay
times
years of service
plus

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

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

Military Reserve Technicians
If you are a military reserve technician who loses the military status required to maintain your position, you may retire and receive an unreduced annuity if you are at least age 50 with 25 years of service. In addition, a Special Retirement Supplement is payable until age 62. After you reach your Minimum Retirement Age (MRA), if you have earnings from wages or self-employment that exceed the Social Security annual exempt amount your supplement will be reduced or stopped.

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

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

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

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

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

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

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

Enrolling in FERS

New Employees
Most new employees hired after December 31, 1983, are automatically covered by the Federal Employees Retirement System (FERS). The exceptions are employees in appointments that are limited to 1 year or less, most intermittent

employees, anyone who is not eligible for Social Security coverage, or certain persons with non-Federal service which is creditable under the Civil Service Retirement System (CSRS).

Rehires and Conversions

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

If you leave Federal Government service and return within 1 year and you were previously covered under CSRS (without Social Security), then you will generally be covered by CSRS upon reemployment. However, you may elect within 6 months of reemployment to transfer to FERS, in which case you will also be covered by Social Security.

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

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

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

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

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

- Your credit in CSRS is frozen, but your combined CSRS and FERS annuity will be based on the average of your highest 3 consecutive years of pay.
- You will receive a full Civil Service Retirement System (CSRS) cost of living adjustment on the CSRS portion of your annuity.
- Your service after the date of transfer is treated under the Federal Employees Retirement System (FERS) rules. (If you were under CSRS Offset, your offset service is also treated under rules.) In addition, all of your service is treated under FERS rules if you have less than 5 years of non-Offset CSRS service when you transfer.
- All service (CSRS and FERS) counts toward years needed to be eligible for retirement, disability, survivor, and Thrift Savings Plan benefits under FERS.
- All survivor and disability benefits are paid under FERS rules.
- Unused sick leave is credited under CSRS rules based on the amount accumulated at the date of transfer or date of retirement, whichever is lower.
- You have Social Security coverage when you enroll in FERS.
- You will receive Government contributions to your TSP account and avoid the 6-12 month waiting period for participation.

If you are converted from an appointment that is excluded from FERS coverage to an appointment that is not excluded, generally you will automatically be covered by FERS. If you are not automatically covered by the plan, you will have a 6-month opportunity to transfer to it.

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Five-Year Retirement Plan

Beginning To Plan For Retirement

You should begin planning several years before the date you have set for retirement so that you will know what is required to continue certain benefits into retirement. There are many factors related to retirement planning, and it is literally never too early to begin. A good rule of thumb is to start planning for your retirement about five years ahead of time.

The federal annuity is only one element to consider in today's complex financial scene. You should start a Thrift Savings Plan or IRA schedule many years before considering actual retirement. Other considerations, such as Social Security, may affect your benefits.

The best place to begin is with your local personnel service center. They can provide personalized assistance and they have your employment records. Your health and life insurance coverage are of immediate concern now because you must carry coverage continuously for at least five years before your retirement or your may be ineligible to continue them. You may also need some preliminary information to make decisions about when you can afford to retire, and whether to make any necessary payments to receive credit for military or non-contributory service or repay any retirement contribution refunds.

Health Insurance Benefits After Retirement

You may continue your heath insurance coverage after retirement if you meet the following conditions:

1. Your annuity must begin within 30 days or, if you are retiring under the Minimum Retirement Age (MRA) plus 10 provision of the Federal Employees Retirement System (FERS), health and life insurance coverages are suspended until your annuity begins, even if it is postponed.
2. You must be covered for health insurance when you retire.
3. You must have been continuously covered by the Federal Employees Health Benefits Program, TRICARE, or the Civilian Health and Medical Program for Uniformed Services (CHAMPUS): (a) for five years immediately before retiring; or (b) during all of your federal employment since your first opportunity to enroll; or (c) continuously for full periods of service beginning with the enrollment that started December 31, 1964.

Waiving The Requirements For Continuing Health Insurance Coverage

OPM has the authority to waive the five-year participation requirement when it is against equity and good conscience not to allow an individual to participate in the health insurance program as a retiree. However, the law says that a person's failure to meet the five-year requirement must be due to exceptional circumstances. When someone is retiring voluntarily, a waiver may not be appropriate because he or she can continue working until the requirement is met. When circumstances warrant a waiver, OPM will generally notify the individual's employer.

Requirements For Keeping Life Insurance In Retirement

You can keep your basic life insurance in retirement if all of the following conditions are met:

1. You have coverage when you retire;
2. You have not converted coverage to an individual policy;
3. Your annuity must begin within 30 days or, if you are retiring under the Minimum Retirement Age (MRA) plus 10 provision of the Federal Employees Retirement System (FERS), health and life insurance coverages are suspended until your annuity begins, even if it is postponed; and
4. You were insured for life insurance for the five years immediately preceding retirement or the full periods of service when coverage was available.

You can keep your optional life insurance in retirement if all of the following conditions are met:

1. You are eligible to continue your basic coverage; and
2. You were covered by the optional life insurance for the five years immediately preceding retirement or the full periods of service when coverage was available, if less than five years.

The requirements for continuing life insurance cannot be waived because OPM has no authority to grant such waivers. If you are not eligible to continue your life insurance coverage, you will be given the chance to change it to an individual policy.

Verifying Civilian And Military Service

You should review your Official Personnel Folder (OPF) to make sure that there is verification of all of your military and civilian service. If any of the records are missing, your employer should help you document the service and obtain any missing records.

If you have civilian service for which you must pay retirement contributions or repay a refund of contributions, your employer should tell you about what impact payment or non-payment has on your eligibility and the amount of your retirement benefit.

If you owe a payment to receive credit for military service you performed after 1956, you must make that payment before you retire. If you are receiving military retired pay, you should discuss whether or not you must waive the retired pay with the personnel officer at your agency.

Your personnel officer can also tell you about receiving credit in your annuity computation for various types of service and about the payments described above, as well as help you with service documentation.

Social Security

Part of planning for your retirement, of course, is finding out how much you can expect to receive from Social Security. For this piece of the puzzle, you should ask for a form SSA-7004, *Request for Social Security Statement*, from your local Social Security Office. You can also request this form from the Social Security Administration's website at http://www.ssa.gov. When you submit this form, you will get a statement that provides you with information on your future eligibility for Social Security benefits and estimates of these benefits at specified dates. However, be aware that these estimates do not reflect any reduction for the Government Pension Offset or the Windfall Elimination Provision (see below).

Windfall Elimination Provision

If you receive a federal pension and are also eligible for Social Security benefits based on your own employment record, a different formula may be used to compute your Social Security benefit. This formula will result in a lower benefit. The Windfall Elimination Provision affects workers who reach age 62 or become disabled after 1985 and are first eligible after 1985 for a federal pension.

The Windfall Elimination Provision does not apply if:

- You were eligible to retire before January 1, 1986; or
- You were first employed by the government after December 31, 1983; or
- You have 30 or more years of substantial earnings under Social Security.

At your request, using the form SSA-7004, the Social Security Administration will send you a Personal Earnings and Benefits Statement (PEBES) that will list your earnings from employment covered by Social Security and provide a Social Security benefit estimate assuming retirement at alternative ages - 62, 65, and 70. You should then contact your local Social Security office to determine the effect of the Windfall Elimination Provision and the Government Pension

Offset (discussed below) on your Social Security benefits. For a more detailed explanation, see the "Windfall Elimination Provision" section in the Social Security chapter of this handbook.

Government Pension Offset
The Government Pension Offset may also affect your Social Security benefits. Under the Government Pension Offset, some of an employee's spousal Social Security benefit may be offset if the employee has a government pension from work not covered by Social Security. The offset does not apply to the employee's own Social Security benefit, only to the benefit that comes from a spouse's employment. If the Government Pension Offset applies, the spousal Social Security benefit will be reduced by two-thirds of any federal pension based on employment not covered by Social Security.

Some employees are exempt from the Government Pension Offset. They are employees who are automatically covered by the Federal Employees Retirement System (FERS), Civil Service Retirement System (CSRS) Offset, and those who elected to transfer to the FERS before January 1, 1988, or during the belated transfer period that ended June 30, 1988. Employees who were covered by the CSRS and who elected FERS coverage after June 30, 1988 must have five years of federal employment covered by Social Security to be exempt from the offset. For a more detailed explanation, see the "Government Pension Offset" section in the Social Security Benefits chapter of this handbook.

One Year Before Retiring

When you get within one year of retirement eligibility, you should:

1. Confirm when you will be eligible to get a retirement benefit;
2. Decide when you want to retire;
3. Get information about other benefits to which you may also be eligible, such as Thrift Savings Plan payment options and any other entitlements based on employment, for example, Foreign Service, Social Security, pensions from private industry, and Individual Retirement Accounts (IRAs). You should have a fairly comprehensive picture of all sources of your retirement income and when each is payable.
4. Tell your supervisor about your proposed retirement date. You should give sufficient notice to allow for planning for someone to take your place.
5. Attend a pre-retirement counseling seminar.
6. Make an appointment with your personnel officer to review your Official Personnel Folder (OPF) or its equivalent to make sure all your records are complete and accurate, all service is verified, and your insurance coverage is documented.

Necessary Official Personnel Folder (OPF) Documentation
The following documentation should be in your Official Personnel Folder:

1. The beginning and ending dates for each period of employment which will be used for your benefit computation;
2. The effective dates for each promotion or within-grade increase during the period that will be used to compute your high-3 average salary;
3. The dates of pay changes or earnings and the pay rate, during employment periods when retirement deductions were not withheld from your salary;
4. The tour-of-duty during any part-time employment (if you worked more hours than the official tour-of-duty, document the hours actually worked);
5. A record of time actually worked during intermittent or "when-actually-employed" service; and
6. Documentation of the dates of military service.

If any service is not verified or any of the required documentation is missing, you should obtain assistance from your personnel officer.

Other Records To Check

In addition to the documents in your OPF, there are other records you should check as well. You should review your designation of beneficiary for the lump sum payment of retirement contributions when no one is eligible for monthly payments. This designation is made on a Standard Form 2808 for the Civil Service Retirement System (CSRS) or a Standard Form 3102 for the Federal Employees Retirement System (FERS). Make sure the form shows the person or people you want designated. If a copy is not available to review, you may wish to file a new designation.

If you transferred to FERS, any prior designation you made for CSRS coverage is canceled. You may wish to file a FERS designation. If you were automatically transferred to FERS coverage from CSRS, your designation will remain in force.

If there is no designation of beneficiary, benefits will be paid in the following order:

1. Your widow or widower.
2. Your children in equal shares.
3. Your parents in equal shares.
4. Your appointed executor or administrator of your estate.
5. Your next of kin under the laws of the state you reside in when you die.

Records Necessary For Health Benefits

Your Official Personnel Folder should contain a record of all of your health benefits registration forms, Standard Form 2809, and, if appropriate, Standard Form 2810, Notice of Change in Health Benefits. Be sure that when you retire, your records will show a complete history of your health insurance enrollment for the last five years.

Records Necessary For Life Insurance

Your Official Personnel Folder should contain a record of your current federal life insurance coverage on a Standard Form 2817, “Life Insurance Election,” and, if appropriate, your current life insurance designation of beneficiary, Standard Form 2823.

If there is no designation of beneficiary, benefits will be paid in the following order:

1. Your widow or widower.
2. Your children in equal shares.
3. Your parents in equal shares.
4. Your appointed executor or administrator of your estate.
5. Your next of kin under the laws of the state you reside in when you die.

Retirement Pay Does Not Cover Premium Costs

In some circumstances, a retiree may be eligible to continue his or her health benefits coverage, but the retirement payment will not cover the cost of the premium. In that case, the retiree can pay the premiums directly to OPM. OPM will tell you how to make these arrangements. You should not send any payments until OPM advises you to do so.

Making Payment For Retirement Credit For Military Service

You may be able to receive retirement credit for active-duty military service after 1956 if you make a payment for that service. You must make the payment before you stop working for the government. You should ask your local servicing personnel center for help in determining whether to make this payment. They can provide personalized assistance because they have your employment records.

Credit for Time When Deductions Were Not Withheld

If you worked for a time when retirement deductions were not withheld from your pay, you may still get retirement credit for that time. It depends on when you worked and whether you are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

Choose which of the circumstances listed below best describes your situation, and look up the applicable rule in the "Glossary of Terms" section of this handbook under Appendix B. Then ask your local personnel service center for assistance.

* Deposit for service ending before October 1, 1982 and covered by the CSRS.
* Deposit for service ending after October 1, 1982 and covered by the CSRS.
* Deposit for service ending before January 1, 1989 and covered by FERS.
* Deposit for service ending after January 1, 1989 and covered by FERS.

Credit for Time When Refund Given For Deductions

If you got a refund of the retirement deductions that were withheld from your pay, you may still get retirement credit for that time. It depends on when you worked and whether you are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

Choose which of the circumstances listed below best describes your situation, and look up the applicable rule in the "Glossary of Terms" section of this handbook under Appendix B. Then ask your local personnel service center for assistance.

* Redeposit service and covered by FERS.
* Redeposit service ending before October 1990 and covered by CSRS.
* Redeposit service ending after October 1990 and covered by CSRS.

Making A Payment To Get Credit For Service

To apply to make a payment to get credit for service, complete a Standard Form 2803 if you are covered by the Civil Service Retirement System (CSRS). You should use Standard Form 3108 if you are covered by the Federal Employees Retirement System (FERS).

If you are within six months of retirement, you should submit your request to make the deposit or redeposit at the same time you submit your application for retirement. You can use a form or letter to do this. OPM will notify you of any amounts due so you can decide whether or not to make the payment. OPM cannot, however, authorize your regular annuity payments until it has your decision about the payment.

Choosing A Retirement Date

You probably have a date in mind for your retirement. Before you settle on that date, though, check with your local personnel service center to verify that you have enough service and meet the age requirements for retirement eligibility. Since they have your employment records, they will be able to assist you in choosing a retirement date. Your local personnel service center will also talk with you about the date your annuity payments can start based on the date you pick.

Providing Benefits To Survivors After Death

Your personnel officer will review the election opportunities to provide benefits after your death to your husband or wife, ex-spouse, or another person you designate as having an insurable interest in your continuing life. If you do not provide for a monthly benefit after your death, your survivor will not be able to continue coverage under the Federal Employees Health Benefits (FEHB) program. The advisor will also cover the requirements that each survivor must meet to qualify.

When making an election to provide a benefit after your death, you must obtain your husband's or wife's written consent to provide less than the maximum benefit allowed. To designate an insurable interest, you must have a physical examination at your own expense.

Minimum Retirement Age (MRA) Plus 10 Annuity Under FERS

A Minimum Retirement Age (MRA) plus ten annuity under the Federal Employees Retirement System is a provision that allows you to retire with benefits beginning immediately if you have ten years of service and have reached the Minimum Retirement Age (at least 55). However, the annuity is reduced for each month you are under age 62. The reduction equals five percent per year (or 5/12 of one percent per month). To avoid the reduction, you can postpone payment. You can later apply for the benefit by writing to OPM or filing an "Application for Deferred or Postponed Retirement," Form RI 92-19. You should submit the form two months before you want the benefit to begin.

The effects of postponing the Minimum Retirement Age (MRA) plus 10 annuity are the following:

1. The benefit is not reduced if it begins after your 60th birthday and you have at least 20 years of service or you reach the Minimum Retirement Age and have 30 years of service. Delay of the benefit can be used to avoid all or part of the reduction for retirement before age 62 that would otherwise have been applied.
2. Your life insurance enrollment will stop until the annuity begins. Once the annuity begins, the life insurance coverage you had when you stopped working will resume if you are eligible.
3. Your health benefits can be temporarily continued under the Temporary Continuation of Coverage for 18 months. You must pay the full cost of coverage, including both the employee and government shares, plus a two percent administrative charge. Your employer will collect the premiums and maintain this coverage.
4. When your payments begin, if you are otherwise eligible to continue coverage, you can again enroll in the Federal Employees Health Benefits (FEHB) program and OPM will pay the government share of the premiums.
5. If you do not file an application before your death, the rights of your surviving family members would be protected because you would be considered a retiree.

Voluntary Contributions

Voluntary contributions are payments made to the retirement fund in addition to the deductions that are withheld from pay. You can make these contributions only if you are covered by the Civil Service Retirement System (CSRS) and do not owe a deposit for a period of time when deductions were not withheld from your pay. To make voluntary contributions, you should submit a Standard Form 2804 to your employer.

You can make voluntary contributions in multiples of $25. Total contributions cannot exceed 10 percent of your pay.

You can purchase additional annuity of $7 per year for each $100 of voluntary contributions, plus 20 cents for each full year you are over age 55 when you retire. By electing to take a reduction in the additional annuity, you can also purchase additional annuity for a surviving spouse who may receive a benefit after your death.

Interest is paid on voluntary contributions at the rate of three percent annually until December 31, 1984. After that date, a variable interest rate is compounded annually on December 31st until service ends or a refund is paid. View the table of variable interest rates under "Interest Rates" in the Glossary of terms at Appendix B of this handbook.

You can use voluntary contributions you made while working under the Civil Service Retirement System to purchase additional annuity when you retire or you can withdraw the contributions in a one-time payment. Most people want to withdraw their voluntary contributions in a one-time payment. If the interest due exceeds more than $200, you can roll the funds into an Individual Retirement Account (IRA) or other qualified retirement plan to defer income tax.

If you want to withdraw your voluntary contributions, you should submit either a Form RI 38-124 or Standard Form 2802 with the statement in item number seven, "I want only my voluntary contributions to be refunded to me." You

can get these forms from your employer. You should submit your request at least 60 days before your expected retirement.

Annuity Estimates

At your request, your employer should provide you with any of the following estimates that apply to your circumstances. However, OPM determines the actual amount of the benefit that is payable based on the laws and regulations and on the certified record of your employment.

- If you receive military retired pay, an estimate of your benefit with and without credit for military service.
- If you are considering deposit for military service after 1956, an estimate of your benefit with and without credit for the military service you performed after December 31, 1956.
- If you are considering a deposit under the Civil Service Retirement System for federal employment before October 1, 1982, estimates of the amount of the deposit and the amount of your benefit with and without the reduction for the deposit.

(For any of the above, see the applicable rule under "Deposit for service ending before October 1, 1982 and covered by CSRS" in the Glossary at Appendix B of this handbook.)

* If you are considering a deposit under the Civil Service Retirement System (CSRS) for federal employment after October 1, 1982, estimates of the amount of the deposit and the amount of your benefit with and without credit for the employment period.

(For the situation above, see the applicable rule under "Deposit for service ending after October 1, 1982 and covered by CSRS" in the Glossary at Appendix B of this handbook.)

* If you are considering repaying, under the Civil Service Retirement System (CSRS), a refund of retirement contributions for employment ending before October 1990, an estimate of the amount of the redeposit and your benefit with and without the actuarial reduction taken if the redeposit is not paid.

(For the situation above, see the applicable rule under "Redeposit service ending before October 1990 and covered by CSRS" in the Glossary at Appendix B of this handbook.)

* If you are considering repaying, under the Civil Service Retirement System (CSRS), a refund of retirement contributions for employment ending after October 1990, an estimate of the amount of the redeposit and your benefit with and without credit for the employment period covered by the refund.

(For the situation above, see the applicable rule under "Redeposit service ending after October 1990 and covered by CSRS" in the Glossary at Appendix B of this handbook.)

* If you are considering a deposit under the Federal Employees Retirement System (FERS) for federal employment before 1989, estimates of the amount of the deposit and the amount of your benefit with and without credit for the employment period.

(For the situation above, see the applicable rule under "Deposit for service ending before January 1, 1989 and covered by FERS" in the Glossary at Appendix B of this handbook.)

* If you are considering providing less than the maximum annuity payable after your death to a husband, wife, or ex-spouse, estimates of the amount of the survivor's annuity and the amount of your annuity with and without the reduction for full survivor's benefit.
* If you are considering providing a survivor annuity to someone who has a financial interest in your continued life, an estimate of your benefit with and without the reduction for this election.

(For the situations above, review Chapter 7, entitled "Family Benefits," in this handbook.)

* If you have made voluntary contributions and can elect to purchase additional annuity with those contributions, benefit estimates with and without credit for the voluntary contributions.

(For the situation above, review the section entitled "Voluntary Contributions" above.)

* If you can elect to receive the alternative form of annuity, an estimate of your benefit with and without the lump sum payment of retirement contributions.

(For the situation above, see the applicable rule under "Alternative Form of Annuity" in the Glossary at Appendix B of this handbook.)

* For employees under the Federal Employees Retirement System (FERS) who can elect to receive an annuity supplement, an estimate of the monthly amount payable to age 62.

(For the situation above, your agency should be able to provide you with an estimate.)

Computing CSRS-Offset Benefits

Those covered under the Civil Service Retirement System (CSRS) subject to offset due to Social Security eligibility are covered as "CSRS-Offset" employees. Your benefit will be computed in the same manner as if it were not subject to offset. However, it will be reduced when you become eligible for Social Security benefits. The offset applies when the basic requirements for Social Security are met, generally at age 62, even if you do not apply for those benefits. If you are not eligible for Social Security benefits at age 62, there is no offset unless you become eligible later.

Pay For Unused Annual Leave

You can be paid for any unused annual leave you hold at retirement.

Effect Of Workers Compensation On Annuity

When you apply for retirement, you should list your workers compensation on your application. Generally, you cannot receive workers' compensation and civil service annuity payments at the same time. You must decide which benefit is most advantageous and elect to receive that one. If you decide to receive workers' compensation benefits, payments from OPM will be suspended. If your workers compensation benefit stops, you can ask OPM to pay your civil service annuity.

You can continue to receive your civil service annuity payments when your workers' compensation is for a Scheduled Award. If you missed work before retirement for an on-the-job injury or illness and received workers' compensation, generally, you can receive credit for time in the computation of your civil service annuity.

Six Months Before Retiring

Indebtedness To Your Employer

Prior to retiring, you should resolve any financial indebtedness to your agency. Examples of causes for indebtedness include:

- outstanding travel advances;
- overpayments of salary;
- indebtedness for failure to return government property or for damage to government property; or
- advanced leave.

Waiving Military Retired Pay
If you want to waive your military retired pay to receive credit for military service in the computation of your benefit, you should write the Retired Pay Operations Center at least 60 days before your planned retirement. Send your waiver to:

Defense Finance and Accounting Service
U.S. Military Retirement Pay
P.O. Box 7130
London, KY 40742-7130

You can also fax your request to (888) 469-6559.

Suggested wording for your request is:

"I (full name and military serial number) hereby waive my military retired pay for Civil Service Retirement purposes effective (the day before your annuity begins).

I hereby authorize the U.S. Office of Personnel Management to withhold from my civil service annuity any amount of military retired pay granted beyond the effective date of this waiver due to any delay in receiving or processing this request."

Maximum Benefit
The basic Civil Service Retirement System (CSRS) annuity cannot exceed 80 percent of your high-3 average salary, excluding your unused sick leave. Generally, you reach the 80 percent limitation when you have 41 years and 11 months of service, not including accumulated sick leave. Fewer years of service may result in a computation that produces the maximum benefit under special computation formulas such as for law enforcement personnel.

Your service beyond the years which provides the maximum benefit will not be used to compute your annuity. Instead, OPM will automatically refund the retirement contributions you made during those years. Interest is paid on this refund payment at the rate of three percent per year, compounded annually. You can use the refund to purchase additional annuity, as if the contributions and interest are voluntary contributions.

However, if you have federal civilian employment periods when you did not contribute to either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), OPM automatically applies excess contributions toward any deposit due for these employment periods.

Eligibility For Medicare Coverage
You should contact the Social Security Administration at least three months before your 65th birthday to apply for benefits. The Social Security Administration will have records pertaining to your eligibility for Medicare coverage. If they do not, and you or your employer need to get a statement of your earnings for this purpose, you can write to:

General Services Administration
National Personnel Records Center
Civilian Personnel Records
111 Winnebago Street
St. Louis, Missouri 63118

You should provide the following information in your request:

- your name, as shown on your payroll records;
- date of birth;

- Social Security Number;
- mailing address;
- years for which earnings are needed;
- name and location of employer for each year;
- reason for request;
- written signature; and
- a statement that all other sources of information have been exhausted.

Two Months Before Retiring

Choosing An Exact Retirement Date
If you have not already done so, you should choose your exact retirement date. Afterwards, your benefit can be estimated based on the exact date.

The best place to obtain assistance is your agency's local personnel service center. They will provide you with information on when your benefit payments can begin based on your proposed retirement date. You will also find out how this date affects factors used to determine the amount of your retirement benefit, such as your length of service, high-3 average salary, and the proration of cost-of-living adjustments.

Completing Your Retirement Application
You should carefully read the information that is part of your retirement application, and complete and submit the forms. You do not need to submit a separate letter of resignation. A completed and signed retirement application is equivalent to a letter of resignation.

If you are eligible for a retirement benefit, you should not resign, intending to submit a retirement application later. The reason for this is because if you die after separating but before filing the application, no life insurance, no survivor benefit, and no survivor health insurance coverage would be available to your survivor(s). You should, however, complete all the other required "exit procedures."

Checking On Your Military Service Deposit
Your personnel office will verify with your payroll office that the deposit to give you credit in your annuity for military service you performed after 1956 has been paid, or that arrangements have been made for complete payment before you leave the agency's rolls.

Receiving Retirement Payments By Direct Deposit
If your employer sends OPM your retirement records by magnetic tape, your account information for direct deposit will be sent to OPM automatically. In this case, you don't need to do anything. Otherwise, you should include your request to receive your payments by direct deposit with your retirement package. You can do this by submitting a letter or a Standard Form (SF) 1199A with your application. You must get the SF 1199A, Direct Deposit Sign-Up Form, from your financial institution.

Direct deposit is available to retirees residing in Canada, but generally, it is not available to those whose permanent address for receiving payments is outside the United States. However, retirees living outside the U.S. can arrange to have their payments electronically deposited in a U.S. bank.

Withdrawing Money From The Thrift Savings Plan
It may take up to eight weeks to process a withdrawal from the Thrift Savings Plan (TSP) after all properly completed withdrawal forms and separation data have been received by the TSP Service Office. Further, the TSP Service Office cannot process a withdrawal election until they receive an Employee Data Record from your payroll office indicating that you have separated. And an unpaid TSP loan may delay disbursement of the TSP account balance.

Your employer will provide you with information about your withdrawal options and the option to keep your money in the TSP. If you choose not to withdraw your funds, in the event of your death, the TSP Service Office would pay the funds based on your written designation form on file. If you have not completed a designation form, payment would be made to your survivors as follows:

1. Widow or widower.
2. If none of the above, child or children and descendants of deceased children by representation.
3. If none of the above, retiree's parents or to the surviving parent.
4. If none of the above, the executor or administrator of the retiree's estate.
5. If none of the above, to any other of the retiree's next of kin who is entitled under the laws of the state in which the retiree resided at death.

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Applying For Retirement

Submitting The Retirement Application
To qualify for payments from the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), you must submit a retirement application, Standard Form 2801 (CSRS) or 3107 (FERS).

If you have been separated from federal service for more than 30 days, submit your application to OPM. If you are still working, submit it to your employer.

Eligibility For An Annuity
If you meet the requirements for a retirement benefit, you are eligible to receive an annuity based on your length of service and your highest three consecutive years of pay. The information in your application is used to determine if you are applying for a disability option, a regular or early-out option, or a discontinued service annuity. It is also used to check the service listed on your payroll records.

Processing The Retirement Application
Both the personnel and payroll office in your agency and OPM are responsible for processing your annuity claim.

You can help reduce delays in processing by submitting your application in advance and by making sure your Official Personnel Folder (OPF) is complete. If you submit your paperwork early, your personnel and payroll offices will be able to complete their action before your retirement date.

Your personnel office must take the following actions to process your retirement application:

1. Complete the Agency Check List of Immediate Retirement Procedures, Standard Form 2801, Schedule D (CSRS) or 3701, Schedule D (FERS).
2. Prepare and obtain your signature on the "Certified Summary of Federal Service," Standard Form 2801-1 (CSRS) or 3701-1 (FERS).
3. Verify any service not fully documented in your OPF. If documentation is missing, verification may be obtained by contacting federal record centers. If the personnel office is unable to obtain verification, OPM will complete verification upon receipt of your retirement application and records. However, this process will cause a delay in processing.
4. Certify and transfer your coverage under the Federal Employees' Group Life Insurance (FEGLI) program to OPM.
5. Transfer your enrollment under the Federal Employees Health Benefits (FEHB) program to OPM.
6. Prepare Standard Form 50, "Notification of Personnel Action."
7. Send all of your retirement materials to your payroll office.

After your personnel agency takes action, your agency payroll office:

1. Authorizes your final paycheck and lump sum payment for unused annual leave.
2. Prepares your "Individual Retirement Record," Standard Form 2806 (CSRS) or 3100 (FERS), which reflects service, salary history, and annual retirement contributions.
3. Forwards all retirement documents to OPM.

When OPM receives your retirement application, it will notify you and will provide a civil service claim identification number (a seven-digit number preceded by "CSA"). You must use that identification number whenever you contact OPM about your annuity.

If you need to contact OPM before you receive your claim number, first contact your former payroll office to find the date your records were transferred to OPM. Your payroll office should provide you with the number and date of the Register of Separations and Transfers. You will also need your Payroll Identification Number.

Interim Payments

As soon as OPM gets all of your retirement records, it provides "interim" payments. These payments are usually made in four days or less, on the first business day of each month. OPM tries to provide you with income until it finishes processing your application. Interim payments can only be authorized if your record clearly shows your eligibility for retirement.

Generally, interim payments average more than 85 percent of your final benefit. However, they may be less if:

- You have received a refund for retirement deductions previously paid.
- You have service (after October 1, 1982) not covered by the retirement system.
- You have service for which you have not paid a deposit.

If your records are complete, you will receive your first interim payment approximately 7 to 14 days after you receive your acknowledgement letter.

OPM's Role in Processing Your Claim:

1. Obtains missing information from your retirement documents.
2. Determines your eligibility for an annuity and continued health and life insurance coverages.
3. Computes the amount of your annuity.
4. Sends you materials concerning:
    a. your survivor benefit election;
    b. the alternative form of annuity;
    c. rollover to an IRA (or if you are a FERS MRA+10 retiree);
    d. your annuity commencing date.
5. Authorizes your annuity payment by the Department of the Treasury.
6. Sends you an annuity statement.

Regular monthly payments are due the first business day of the month immediately preceding.

If your retirement records are complete upon receipt and an election of a benefit is not required, the processing of your application will be completed in approximately five weeks. An additional three to four weeks may be added if a benefit election is required.

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New Retirees

When To Expect Your First Payment
As soon as OPM gets all of your retirement records, it provides you with "interim" payments. These payments are usually made in four days or fewer, on the first business day of each month. OPM tries to provide you with income until it finishes processing your application.

Amount Of Interim Payments
Generally, interim payments average more than 85 percent of your final benefit.

Withholdings From Interim Payments
OPM only withholds federal income tax. Things like your health and life insurance coverage will continue. OPM will make any necessary withholding for federal taxes and health and life insurance premiums from the benefits it sends when it finishes processing your application.

After OPM finishes processing your application, it will send you a personalized statement entitled "Your Federal Retirement Benefits." It will detail, among other things, how much your monthly payment will be. It will also confirm such things as health and life insurance coverage, and provide you with information you will need to prepare your tax returns.

Paying To Get Credit For Service
Under the Federal Employees Retirement System (FERS), you will be given the opportunity to pay for temporary service prior to January 1, 1989. Under the Civil Service Retirement System (CSRS), if you had service after October 1, 1982 for which no contributions were made, OPM will give you the opportunity to pay the contributions, and will tell you what difference it makes to your monthly benefit. If you had unpaid service prior to October 1, 1982, OPM does not notify you before it finishes processing your application because it generally is not to your advantage to make the payment.

Changing Health Insurance Coverage
After you retire, you will still have the opportunity to change your enrollment from one health insurance plan to another during an annual open season. You cannot change to another plan simply because you retired.

Changing Life Insurance Coverage
You can cancel or decrease your life insurance coverage at any time. You cannot increase your coverage.

Cost Of Living Increase When Retiring Within The Last Year
If you retired in the last year, you will get a cost of living increase, but you will receive only a portion of the first increase payable. OPM will prorate the first increase based on how long you were retired before it is given. At that time, OPM will send you a notice explaining the increase. Federal Employees Retirement System (FERS) cost of living increases are not provided until age 62, except for disability and survivor benefits.

Amount of Retirement Benefit That Is Taxable
To determine the amount of your retirement benefit that is taxable, see the section entitled "Calculate the Tax-Free Amount of Your Retirement Benefit" in Appendix C of this handbook.

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Family Benefits

Survivor Benefits For FERS

The FERS Basic Benefit Plan provides benefits for survivors of federal employees and retirees. If you die while you are an active employee, are married, and have 18 months of civilian service, your surviving spouse receives:

A lump sum payment
plus
the higher of
1/2 of your annual pay rate at death
or
1/2 of your high-three average pay.

The lump sum payment increases through cost-of-living adjustments each year.

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

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

A married retiree's annuity is automatically reduced to provide spouse survivor benefits unless those benefits are jointly waived in writing by the retiree and the spouse before retirement. Your annuity is reduced 10% to give your surviving spouse:

An annuity of 50% of your unreduced benefit
plus
a special supplemental annuity payable until age 60,
if your spouse will not be eligible
for Social Security survivor benefits until age 60.

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

Separate provisions apply to spouses of disabled annuitants. A former spouse may receive survivor benefits as provided in a retiree election or a qualifying court order.

Survivor Benefits For CSRS

If you are married when you retire, your annuity will be reduced to provide a full survivor annuity for your spouse (unless he or she consents to a lesser benefit). To provide for a survivor annuity, your annuity will be reduced by 2.5 percent of the first $3,600, plus 10 percent of the annuity over $3,600. The survivor annuity will be 55 percent of the amount of your annuity before this reduction.

Note: If you were divorced after May 6, 1985, your former spouse may receive by court order, all or part of the survivor annuity that your current spouse would otherwise get. You can also elect a survivor annuity for a former spouse (but if you are married, you must get your spouse's consent).

If you are not retiring for disability, and are in reasonably good health, you can provide a survivor annuity for a person who has an "insurable interest" in you such as a relative who is in your care, or a current spouse who would not otherwise get a survivor annuity because of a court-ordered award to a former spouse. To provide this benefit, your annuity would be reduced from 10 to 40 percent depending on the difference in your age and the age of the person named. This reduction would be added to any reduction required to provide a survivor annuity for a spouse or former spouse.

Providing A Survivor Benefit For A New Spouse

Providing a survivor benefit for a new spouse is not difficult. Within two years of your marriage or after the date a former spouse loses entitlement to a survivor annuity, send a copy of your marriage certificate to OPM, Retirement Operations Center, Post Office Box 45, Boyers, Pennsylvania, 16017-0045. Tell OPM you intend to provide survivor benefits for your new husband or wife. OPM will tell you how much your election will cost before changing your monthly benefit.

If you do not provide a survivor benefit for your new partner, he or she will not receive a monthly benefit payment after your death. Nor will your spouse be able to continue coverage under the Federal Employees Health Benefits (FEHB) program.

When Spousal Survivor Benefits End

Monthly payments to a surviving spouse generally continue for life unless your spouse remarries before age 55. If your spouse was married to you for at least 30 years, he or she can continue receiving benefits when there is a remarriage before age 55.

Survivor Benefits For Your Child

You do not have to do anything to provide a survivor benefit for your child. Benefits to eligible children are automatically provided by law. To be eligible, a child must be unmarried, under age 18, and dependent on you.

Withholding Child Support Payments From An Annuity

To withhold child support payments from your annuity, contact the county clerk who handles child support issues. Tell the clerk you want the payments to be withheld from your federal annuity payments.

If you want to stop child support payments when your children reach age 18, then you should ask the office that ordered the child support to send OPM a stop payment order. OPM can use a facsimile copy of a court order to stop payments.

Cost of Survivor Benefits

There is no cost for providing a survivor benefit for your child.

To provide a survivor benefit for a new spouse, there are two related costs. First, OPM reduces your monthly retirement amount to the rate it would have been had you elected a survivor benefit when you retired. The reduction for this benefit can be up to ten percent of your monthly rate.

Second, OPM calculates the difference between what you actually received in retirement benefits, and the lower amount you would have received had your benefit been reduced since retirement to provide the survivor benefit. The resulting amount has to be paid back through a permanent actuarial reduction to your annuity.

When you tell OPM you want to provide a survivor benefit for your new husband or wife, OPM will calculate the exact costs and let you know what they are before changing your benefit. To provide a survivor benefit for a former husband or wife, the cost is the same as for a current husband or wife.

Child Survivor Benefits After Age 18

Your child can receive a survivor benefit after the age of 18 if the child is either a full-time student, or has a disabling condition that began before age 18. Generally, benefits to your child will end at age 18. But they can continue until age 22 if your child is a full-time student. Children with a disabling condition that began before age 18 can continue to receive benefits as long as the condition continues and the child does not become capable of self-support. Benefits to any child end upon the child's marriage.

Eligibility Of A Former Spouse For A Survivor Benefit Upon Divorce

If you divorced, the survivor benefit you elected at retirement is no longer payable. A monthly survivor benefit would be payable to your former spouse after death if one is provided by court order or your new election. Your marriage must have lasted for at least nine months for OPM to allow a court-ordered benefit.

Spousal Survival Annuity When Court Awards Ex-Spouse Benefits

Under the Civil Service Retirement System (CSRS), the maximum benefit payable after your death to survivors other than children is 55 percent of your annual benefit. Under the Federal Employees Retirement System (FERS), the maximum is 50 percent. Therefore, the benefit payable to your husband or wife equals the difference between the court-ordered benefit for your ex-spouse and the maximum benefit payable. For example, if the court awarded your former spouse a benefit equal to 35 percent of your CSRS annuity, your husband or wife could only receive a benefit equal to 20 percent.

If your former spouse was awarded the maximum survivor benefit, you can elect a survivor benefit for your current spouse on a contingency basis. In this case, your current spouse would be paid the survivor benefit upon your death if your former spouse becomes ineligible for the survivor benefit.

If you do not provide a survivor benefit for your husband or wife, he or she will not receive a monthly benefit payment after your death. Nor will your spouse be able to continue coverage under the Federal Employees Health Benefits (FEHB) program.

Benefits That Can Be Affected By A Court Order

A court order related to your divorce or legal separation agreement can:

- Divide your annuity.
- Divide a refund of your retirement contributions made when you leave federal service before retirement.
- Permit your ex-spouse to continue health insurance coverage.
- Require you to assign your life insurance.
- Garnish your annuity to pay alimony, child support, in cases involving child abuse, or for Chapter 13 bankruptcy.
- Award life insurance.
- Award a survivor benefit.

A court order following annulment of marriage, legal separation, or divorce can divide or apportion your annuity. The order must expressly direct OPM to pay a portion of your monthly benefit. The spouse's share must be stated as a fixed amount, a percentage or fraction of your annuity, or by a formula with a readily apparent value. The amount cannot exceed the money payable to you after deductions for taxes and insurance.

A court order may provide for payment of all or part of a refund of your retirement contributions. It may also block the refund payment, but only if the order directs OPM not to pay the refund and grants a survivor annuity or a portion of your annuity to a legally separated or former spouse.

Modifying A Court Order After Retirement Or Death
A court order dividing your retirement benefits can be modified (either party can modify) at any time. However, survivor annuity benefits payable cannot be approved based on modifications to a court order made after your retirement or death.

Checking On The Status Of A Court-Ordered Benefit
To check on the status of a court-ordered benefit, you should call OPM at (202) 606-0222. If OPM does not have a record of receiving your court order, you can send a facsimile to OPM at (202) 606-7958 when a garnishment is involved. OPM needs a certified copy when an apportionment or survivor annuity is involved.

Providing A Survivor Benefit For A Former Spouse
You can provide a survivor benefit for a former spouse if you wish. To do so, contact OPM and tell them that you want to provide a survivor benefit for your former husband or wife. They will send you the necessary forms to elect the benefit. If the benefit will be based on a court order and you are receiving a civil service retirement benefit, you should send a court-certified copy of the court order. You should send it to the U.S. Office of Personnel Management, Office of Retirement Programs, Court-Ordered Benefits Branch, Post Office Box 17, Washington, D.C., 20044-0017. If you are still working for the federal government, you should also provide a copy of the order to your personnel office. All court orders involving garnishments should be sent to the address given above.

Monthly survivor payments to your ex-spouse will continue for life generally, unless he or she remarries before age 55. But if he or she was married to you for at least 30 years, benefits can continue even if there is a remarriage before age 55. An apportionment of a monthly retirement annuity ends at your death.

Family Health Insurance Coverage
Your family health insurance enrollment covers yourself, your husband or wife, and your eligible, unmarried children under age 22.

Your former spouse can continue health insurance coverage, but not under your family enrollment. There are two possible ways for your former spouse to remain enrolled. First, all former spouses are eligible for a Temporary Continuation of Coverage enrollment that lasts for 36 months. Second, former spouses eligible for a monthly court-ordered benefit (either a portion of your monthly benefit, or a survivor benefit upon your death) are eligible for federal health insurance.

Former Spouses And Life Insurance Coverage
Former spouses may also receive your life insurance. There are two ways to do it. One is to designate your former spouse as the beneficiary of your life insurance. Another way is to assign some or all of your life insurance to your former spouse. You cannot change or cancel an assignment.

Order Of Beneficiaries For Life Insurance
When you die, the Office of Federal Employees' Group Life Insurance (OFEGLI) will pay life insurance benefits in a particular order, set by law:

If you assigned ownership of your life insurance, OFEGLI will pay benefits in the following order of precedence:

- First to the designated beneficiary(ies) designated by your assignee(s), if any;
- Second, if there is no such beneficiary, to your assignee(s).

If you did not assign ownership and there is a valid court order on file, OFEGLI will pay benefits in accordance with that court order.

If you did not assign ownership and there is no valid court order on file, OFEGLI will pay benefits in the following order of precedence:

- First, to the beneficiary(ies) you designated;
- Second, if there is no such beneficiary, to your widow or widower;
- Third, if none of the above, to your child or children, with the share of any deceased child distributed among the descendants of that child (a court will usually have to appoint a guardian to receive payment for a minor child);
- Fourth, if none of the above, to your parents in equal shares or the entire amount to your surviving parent;
- Fifth, if none of the above, to the executor or administrator of your estate;
- Sixth, if none of the above, to your other next of kin as determined under the laws of the state where you lived.

You can download the Standard Form (SF) 2823, Designation of Beneficiary, and instructions from the OPM web site, or contact OPM and ask that the form and the instructions be sent to you.

Remember that you need to keep your designated beneficiaries' addresses current. Failure to do so may mean that your beneficiary cannot be located and therefore benefits will not be paid to that person. The preferred way is to file a new Designation of Beneficiary when a beneficiary's address changes. A new address cannot be added directly to the Designation of Beneficiary form itself, since any cross outs, erasures, or alterations in your form may make it invalid.

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Benefit Adjustments

Cost Of Living Adjustments
Your benefits will increase as the cost of living rises. Cost-of-living adjustments are effective each December first. The adjustment appears in your January payment on the first business day of the month, which is when your benefit for December is paid. Federal Employees Retirement System (FERS) and FERS Special Cost-Of-Living-Adjustments are not provided until age 62, except for disability, survivor benefits, and other special provision retirements. Also, under FERS, if you have a CSRS component, the component is subject to the CSRS COLA.

Calculating the Cost Of Living Adjustment
The U.S. Department of Labor calculates the change in the Consumer Price Index (CPI) from the third quarter average of the previous year to the third quarter average for the current year. For Civil Service Retirement System (CSRS) or Organization and Disability Retirement System (ORDS) benefits, the increased percentage is applied to your monthly benefit amount before any deductions, and is rounded down to the next whole dollar.

For Federal Employees Retirement System (FERS) or FERS Special benefits, if the increase in the CPI is 2 percent or less, the cost of living adjustment is equal to the CPI increase. If the CPI increase is more than 2 percent but no more than 3 percent, the cost of living adjustment is 2 percent. If the CPI increase is more than 3 percent, the cost of living adjustment is 1 percent less than the CPI increase. The new amount is rounded down to the next whole dollar.

Credit For Military Service After 1956
When you become eligible for Social Security, your military service after 1956 will be used in the computation of your Social Security. Unless you paid a deposit prior to retirement for your military service after 1956, it will no longer count toward your retirement benefit. However, if you did pay the deposit, no adjustment to your retirement benefit is made at age 62.

CSRS Offset Benefits and Social Security
If at age 62 you are eligible for Social Security, OPM will recompute your retirement benefit to “offset” any part of your Social Security benefit that is based on your years of federal service under the offset plan.

FERS Disability Benefit
If you were under 62 when your disability benefit began, and were not eligible for a voluntary immediate benefit, your benefit will be recomputed after you have been retired for 12 months. The recomputed annuity will be 40 percent of your high-3 average salary minus 60 percent of your monthly Social Security benefit, or your earned benefit, whichever is higher. At age 62, your benefit is recomputed as though you had continued working until age 62. (Your average salary is increased by all FERS cost of living adjustments paid while you were disabled.)

Termination of A Disability Benefit
If you are under age 60, your benefit will stop if you are found to be medically recovered from your disabling condition, or, if in any calendar year your income from wages and self-employment is at least 80 percent of the current rate of basic pay from the position you retired from. (This is also known as a restoration to earning capacity.) Also, if you are under age 60 and reemployed in the federal service in a position equivalent to what you held at retirement, your disability benefit ends. (This is called “administratively recovered.”)

Reinstating A Disability Benefit
If your disability benefit stopped because you were found recovered either medically or administratively, your benefit can resume only if the disability recurs and you do not exceed the 80 percent earnings limitation. If your disability benefit stopped merely because you exceeded the earnings limitation, your benefit can resume effective the first of the year after you no longer exceed the 80 percent earnings limit.

Life Insurance At Age 65

If you retired before December 9, 1980, your Basic life insurance will begin to reduce by 2 percent of the face value each month beginning with the second month after your 65th birthday or your retirement date, whichever is later. This reduction continues until your Basic life insurance reaches 25 percent of the face value. This coverage is free.

If you retired on or after December 9, 1980, and before January 1, 1990, you elected one of the following reduction schedules for your Basic life insurance:

* 75 percent reduction - If you elected this reduction schedule, your Basic life insurance will begin to reduce by 2 percent of the face value each month beginning with the second month after your 65th birthday or your retirement date, whichever is later. This reduction continues until your Basic life insurance reaches 25 percent of the face value. This coverage is free.

* 50 percent reduction - If you elected this reduction schedule, your Basic life insurance will begin to reduce by 1 percent of the face value each month beginning with the second month after your 65th birthday or your retirement date, whichever is later. This reduction continues until your Basic life insurance reaches 50 percent of the face value. OPM withholds premiums for this coverage from your annuity beginning at retirement and continuing for life.

* No Reduction - If you elected this reduction schedule, the full amount of your Basic life insurance remains in force after you reach age 65. OPM withholds premiums for this additional coverage from your annuity beginning at retirement and continuing for life.

If you retire after December 31, 1989, you must elect one of the three reduction schedules described above when you retire. Regardless of which reduction schedule you elect, if you separate before age 65, until you are 65 you must also pay the same premium as employees for the Basic life insurance you continue into retirement.

The amount of Option A - Standard insurance (formerly known as “Optional insurance”) is $10,000 at retirement. If you retired before October 30, 1998, your Option A insurance may have been higher than $10,000. If you have this coverage, it will begin to reduce by 2 percent per month or $200, beginning the second month after your 65th birthday or your retirement date, whichever is later, until it reaches 25 percent of the face value or $2,500. OPM will withhold premiums for Option A insurance from your annuity through the end of the month in which you are 65, unless you elect to cancel this coverage.

All annuitants who have Option B - Additional insurance as of April 24, 1999, or later, are eligible to make an Option B reduction election. Those who are 65 or older at retirement will hear from OPM shortly after retirement. OPM will contact annuitants who retired before age 65 shortly before their 65th birthday. At that time, the annuitant may elect either Full Reduction or No Reduction for each separate multiple of Option B. For example, a person with five multiples may elect No Reduction on two multiples, while the three remaining multiples reduce fully.

If you elect Full Reduction, effective the first day of the second month after your 65th birthday or your retirement date, whichever is later, your Option B full-reduction multiples will reduce by 2 percent of the face value per month for 50 months, at which time this coverage will end. OPM will withhold premiums for this coverage from your annuity through the month in which you reach age 65. If you elect to continue some or all of your Option B multiples with No Reduction, when you are 65 or at retirement, whichever is later, OPM will adjust the withholding for your Option B coverage to reflect the number of multiples you decided to retain at No Reduction. Any other multiples will start to reduce as described above.

All annuitants who have Option C - Family insurance, and whose annuity commencing dates are April 24, 1999, or later, are eligible to make an Option C reduction election. Those who are 65 or older at retirement will hear from OPM shortly after retirement. OPM will contact annuitants who retired before age 65 shortly before their 65th birthday. At that time, the annuitant may elect either Full Reduction or No Reduction for each separate multiple of Option C. For

example, a person with five multiples may elect No Reduction on two multiples, while the three remaining multiples reduce fully.

If you elect Full Reduction, or if you separated for retirement before April 24, 1999, effective the first day of the second month after you reach age 65 or your retirement date, whichever is later, your Option C full-reduction multiples will reduce by 2 percent of the face value per month for 50 months, at which time this coverage will end. OPM will withhold premiums for this coverage from your annuity through the month in which you reach age 65. If you elect to continue some or all of your Option C multiples with No Reduction, OPM will adjust the withholding for your Option C coverage to reflect the number of multiples you decided to retain at No Reduction. Any other multiples will start to reduce as described above.

Effect Of Returning To Work On Your Retirement Benefit

People often want to know what effect returning to work for the government will have on their retirement benefit. Generally, if you are receiving a regular retirement, it will continue and your salary will be equivalently reduced. But if you retired for disability or because your job was eliminated, your eligibility for the retirement benefit might end. You can discuss this with your prospective employer or provide OPM with detailed information about the position so that OPM can let you know if your benefit would stop. OPM needs to know the title, grade, salary, tour of duty, and retirement coverage provided by the position you are considering.

If your retirement benefit ends, your health benefits coverage as a retiree stops as well. You can enroll for health benefits where you are employed. Your life insurance as a retiree stops without a right to convert to an individual policy. Your eligibility for life insurance coverage will be the same as any other new employee.

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Death Benefits

Reporting A Death
To report a death of someone who receives benefits from OPM, you can:

- Call OPM toll-free at 1-888-767-6738.
- Alternatively, you can write: U.S. Office of Personnel Management, P.O. Box 45, Boyers, Pennsylvania, 16017-0045.
- Benefit Officers can also use the OPM web site at https://www.opm.gov/retire/death.cfm to report the death of an employee and help expedite payments to family members.

If you are reporting the death of someone who receives benefits from OPM, you should provide the full name of the deceased and the date of death, as well as the retirement claim number, if known, and Social Security number. OPM will tell you if there are any further benefits payable and send you the necessary claim forms. In many cases, OPM can start monthly payments to an eligible surviving spouse based on the records on file.

Benefits Payable To A Retiree's Survivors
Monthly survivor benefits may be payable to any of the following:

- Your husband or wife, if you elected to provide a survivor benefit.
- Your ex-spouse, if you elected to provide a former spouse survivor annuity, or if the benefit was required by a court order.
- Your children. Benefits to children are payable until age 18. You do not have to elect the benefit for them.

A lump sum payment, covering the benefits you earned from the first of the month through the date of your death, may also be payable. This payment is generally made to a surviving spouse unless you requested payment to others in a Designation of Beneficiary.

Survivors' Application For Benefits
In many cases, after receiving the report of a retiree's death, OPM can start monthly payments to the surviving husband or wife based on the records it has on file. In every case, OPM will tell your survivors what benefits are payable and provide the necessary forms and help they need to apply for benefits.

Claiming Family Life Insurance Benefits
If you are enrolled for family life insurance, and a covered member of your family dies, you can contact OPM by:

- Calling toll-free 1-888-767-6738.
- Writing to: U.S. Office of Personnel Management, P.O. Box 45, Boyers, Pennsylvania, 16017-0045.

Beneficiaries Of Your Life Insurance Benefit
When you die, the Office of Federal Employees' Group Life Insurance (OFEGLI) will pay life insurance benefits in a particular order, set by law:

If you assigned ownership of your life insurance, OFEGLI will pay benefits in the following order of precedence: First to the designated beneficiary(ies) designated by your assignee(s), if any; second, if there is no such beneficiary, to your assignee(s).

If you did not assign ownership and there is a valid court order on file, OFEGLI will pay benefits in accordance with that court order.

If you did not assign ownership and there is no valid court order on file, OFEGLI will pay benefits in the following order of precedence:

1. To the beneficiary(ies) you designated;
2. If there is no such beneficiary, to your widow or widower;
3. If none of the above, to your child or children, with the share of any deceased child distributed among the descendants of that child (a court will usually have to appoint a guardian to receive payment for a minor child);
4. If none of the above, to your parents in equal shares or the entire amount to your surviving parent;
5. If none of the above, to the executor or administrator of your estate;
6. If none of the above, to your other next of kin as determined under the laws of the state where you lived.

You need to keep your designated beneficiaries' addresses current. Failure to do so may mean that your beneficiary cannot be located and therefore benefits will not be paid to that person. The preferred way is to file a new Designation of Beneficiary when a beneficiary's address changes. A new address cannot be added directly to the Designation of Beneficiary form itself, since any cross outs, erasures, or alterations in your form may make it invalid.

Continuing Health Insurance For Your Family After You Die

If at least one of your family members will receive a monthly survivor benefit, their health insurance enrollment will automatically continue after your death and the cost will be withheld from the monthly survivor payment. If you die and none of your family members receives a monthly survivor benefit, family health insurance enrollment ends.

Survivors' Receipt Of Cost Of Living Increases

Currently, every survivor receives a cost of living adjustment effective each December 1st. It will show up in the January payment due on the first business day of the month, which is the benefit for December. OPM will send a Notice of Annuity Adjustment showing how much the benefit was increased.

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Address and Withholding Changes

Viewing Annuity Payments Statement Online
You can use Services Online (https://www.servicesonline.opm.gov) to view your monthly annuity statement. This statement shows your current annuity payment, including the gross amount, up to 35 possible deductions or additions, and the net amount. Your statement reflects required payment adjustments for cost-of-living adjustments, health benefit premium changes, Federal income tax withholding table changes, and life insurance premium changes. It also reflects changes you made the previous business day, unless the changes were made after the date for updating the monthly payment. Any changes you made after that date will be reflected in the statement for the next month's payment, when the change would be effective. You can refer to OPM's Calendar of Events (http://www.opm.gov/retire/html/calendar.asp) for information on the dates by which changes must be made in each month's payment.

Signing Up For Direct Deposit
Use OPM's Services Online to sign up for direct deposit, or to change the account or bank where your payment is sent. You will need your claim number and Personal Identification Number (PIN) to use the self-service web site. You will be asked whether your account is a savings or checking account and to provide your account number and the routing number for your financial institution (found next to your account number on the bottom of your check). You should contact your financial institution for assistance in getting the routing number if you are not sure. When you make a change, OPM will send you a confirmation of the change. You can also call OPM at 1-888-767-6738.

OPM keeps a separate mailing address to periodically send you information about your retirement and health and life insurance benefits. You can see the current record of your mailing address on Services Online. You should notify OPM if this address changes. (If you do not receive your payments through direct deposit, OPM uses the same address for mailings and payments.)

You can also use Services Online to report a change in your mailing address when you move. If you changed banks because you moved, you should also use Services Online to give OPM your new account number and the routing number for your financial institution.

If you are enrolled in the health benefits program in a plan that serves a limited geographic area, you will need to change plans if you move out of the service area. You should see OPM's web page at http://www.opm.gov/insure/health/index.html to view the list of plans from which you can choose, and to find out how to get brochures for those plans. Once you have picked your new plan, call OPM at 1-888-767-6738 to change your enrollment, or if you need more help.

Voluntary Withholdings
You can voluntarily withhold federal and state income taxes, U.S. Savings Bonds, checking and savings allotments, or allotments to other participating organizations.

Federal Income Tax
Generally, unless you specify a monthly withholding amount, OPM withholds federal income tax as if you are married and claiming three allowances. You can use OPM's calculator on its web site to figure the amount of your monthly federal income tax withholding based on marital status and exemptions. Then, you can use Services Online to change the federal tax withheld from your annuity payment or specify the dollar amount withheld. You may change the amount withheld whenever you think it is necessary.

If you need more information or assistance in determining whether or not you are having the right amount of federal income tax withheld, see the Internal Revenue Service web site at http://www.irs.gov.

State Income Tax
You must specify the dollar amount of state tax you want withheld from your monthly payments. The withholding must be in whole dollars. The minimum amount OPM can withhold for state income tax is $5. Use Services Online to change the state tax withheld from your annuity payment. If you do not know the monthly amount you want withheld, contact your state tax office for advice.

Savings Bonds
You can start, change, or stop Series EE or Series I Savings Bonds. You should know the bond series and the denomination you wish to purchase before you begin. You can buy up to nine bonds each month. No installment purchases are available. You will purchase a bond in full each month.

Series EE: Series EE bonds are sold at one-half of their value. For example, you pay $50 for $100 bond. This is the amount that will be withheld from your benefit payment each month until you make a change. So, for each withholding, you will purchase a bond.

Bonds earn interest for 30 years, but are not indexed to inflation. Interest is based on the average yield on five-year Treasury securities. Earned interest is added to the value each month and is exempt from state and local taxes. Federal tax can be deferred until you redeem the bonds or they stop earning interest.

You can start, change, or stop Series EE bonds in denominations of $100, $200, $500, $1,000, $5,000, and $10,000.

Series I: Series I bonds are sold at their face value. For example, you pay $100 for a $100 bond. This is the amount that will be withheld from your benefit payment each month until you make a change. So, for each withholding, you will purchase a bond. They grow in value with inflation-indexed earnings for up to 30 years.

These bonds increase in value each month and interest is compounded semi-annually. Earnings are exempt from state and local taxes. Federal taxes can be deferred until you redeem the bonds or they stop earning interest.
You can start, change, or, stop Series I bonds in denominations of $50, $75, $100, $500, $1,000, $5,000, and $10,000.
You can use Services Online to buy bonds and have the bond premiums withheld from your annuity payment.

You should contact the U.S. Department of the Treasury at 1-800-4US-BOND or visit their web site at http://www.publicdebt.treas.gov/sav/sbifaq.htm for information about bonds, bond interest rates, and redemption.

Allotments to Organizations
You can start, change, or stop an allotment to participating organizations.

Participating organizations include:

- American Federation of Government Employees (AFGE),
- Fraternal Order of Retired Border Patrol Officers (Museum),
- National Association of Postmasters of the U.S. Political Action Committee,
- National Rural Letter Carriers Association Political Action Committee,
- National Treasury Employees Union (NTEU),
- Northwest Plan Administrators,
- Treasury Employees Political Action Committee.

If the organization for which you wish to make an allotment is not listed above, you should contact them and ask them to provide OPM with the banking information needed to forward payments. The organization can contact OPM by email at finance@opm.gov. Use Services Online or call OPM's toll-free number to make one-time or recurring membership payments to organizations.

Checking and Savings Allotments

Checking and savings allotments are voluntary deductions for allotments sent by direct deposit to a checking or savings account in your name. You may have up to two allotments. The accounts must be maintained at a domestic financial institution. This does not include charities, savings bonds, garnishments or other court orders, union or other organizational dues. You must maintain at least $100 net annuity payment. The allotment must be for a minimum of $50. You can use Services Online or call OPM's toll-free number to establish a checking or savings allotment.

Changing Voluntary Withholdings

Use Services Online to start, change, or stop your federal or state income tax withholdings, buy savings bonds, obtain duplicate tax statements, set up an allotment to an organization, or change your Personal Identification Number (PIN). You can also call OPM's toll-free number 1-888-767-6738 for these and other voluntary withholdings. When using OPM's self-service systems, you need your claim identification number, Personal Identification Number (PIN), and Social Security Number. If you do not have a PIN, call OPM. You need a touchtone telephone to call the automated telephone service. If you do not have a touchtone telephone, you can speak to a Customer Service Specialist.

Generally, in the middle of month, OPM authorizes payments that are due for the first business day of the following month. Therefore, if you want your change to be reflected in your next payment, you should submit your request as early as possible.

Changing Health Benefits Enrollment

There are many reasons for changing your health benefits enrollment. If you are changing your coverage because of one of the reasons listed below, OPM can make the change based on your telephone call. When calling you must have your claim identification number and Social Security Number, as well as the enrollment number and name for your new plan. Reasons for health benefits coverage changes include:

- You are changing to self-only coverage from family coverage.
- You are changing plans because you have moved out of the service area of your Health Maintenance Organization (HMO).
- You turned 65 and are changing to a lower cost plan option because you are eligible for Medicare.
- You are changing your enrollment during the annual Health Benefits Open Season, which usually runs from mid-November to early December.
- You are changing to family coverage because you marry, or have or adopt a child. (This option is not available to survivors.)

You should contact OPM within the period beginning 31 days before up to 60 days after the date of the event. If you need assistance with your health benefits enrollment, call 1-888-767-6738 to change your enrollment or if you need more help.

If you are eligible for TRICARE or TRICARE-For-Life benefits, you may suspend your FEHB coverage and premium payments. You are able to reenroll in the FEHB Program during the Open Season, or immediately if you are involuntarily disenrolled from the TRICARE program.

Changing Life Insurance Premiums

You can reduce your premiums by reducing your coverage. However, if you reduce coverage, you cannot increase it again at a later date. To change your coverage, write to:

U.S. Office of Personnel Management, Retirement Operations Center, P.O. Box 45, Boyers, Pennsylvania 16017.

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Becoming Disabled

If you become mentally or physically unable to handle your own money, a family member or someone helping you should contact OPM as soon as possible. When your family member or friends contact OPM, they will receive full instructions on what to do to take care of your retirement benefit for you. They will be asked for identifying information such as your claim number, name, and Social Security Number, as well as the name and address of the person responsible for your care.

Powers of Attorney

The Office of Personnel Management does not recognize Powers of Attorney filings. If you are responsible for the care or custody of a person who is either mentally or physically unable to handle his or her own money, you should contact OPM as soon as possible. OPM will give you full instructions on what to do to take care of the benefits. You should provide the claim number, name, and Social Security Number of the disabled person as well as the name and address of the responsible person.

Periodic Medical Exams

When OPM approves your application for disability retirement, it may determine that based on your medical condition you will periodically have to provide OPM with current medical information in order to continue receiving benefits.

You pay for the periodic medical exams needed to keep your disability benefit. If you do not fulfill the request for evidence of continuing disability, your benefit payments could be suspended until your continuing eligibility is established.

Receiving Disability Benefits From Both OPM and OWCP

Generally, you must decide which disability benefit – the OPM benefit or the U.S. Department of Labor, Office of Workers' Compensation Programs (OWCP) benefit - is most advantageous for you, and elect to receive that one. If you decide you want to receive OWCP benefits, payments from OPM will be suspended. But if your OWCP benefits stop, you can ask OPM to pay your disability benefit. You can receive an OWCP Scheduled Award and the OPM benefits at the same time.

Contact OPM to tell them if you are awarded workers' compensation benefits and see if you need to make an election between benefits.

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Leaving Early

Retirement Contribution Options When Leaving Early

If you leave your government job before becoming eligible for retirement, you have several options regarding your retirement contributions. You can ask that your retirement contributions be returned to you in a lump sum payment, or you can wait until you are retirement age to apply for monthly retirement benefit payments. If you get a refund of your retirement contributions now, you will no longer be eligible to receive monthly payments when you reach retirement age.

Applying For A Lump Sum Payment

If you are leaving your federal job and want a refund of your retirement contributions, you can get an application from your personnel office, complete it, and return it to them. If you are no longer in the federal service, you can contact OPM and they will send you the form you need to apply. You should give OPM your name, mailing address, and retirement plan.

Interest On Lump Sum

If you contributed to the Federal Employees Retirement System, you will get interest on the refund of those contributions if you worked more than one year. Interest is paid at the same rate that is paid for government securities. If you contributed to the Civil Service Retirement System while you worked, interest will be included in the refund of those contributions if you have more than one but less than five years of service. Interest is paid at three percent.

Taxability Of Refunds

Your retirement contributions are not taxable, but interest included in the payment is taxable. For additional tax information, you can click on the web site for the Internal Revenue Service at http://www.irs.gov.

"Rollovers" Of Retirement Contribution Refunds

The Internal Revenue Service considers the Federal Employees Retirement System and the Civil Service Retirement System defined plans. You can rollover the taxable portion, which is the interest amount. If your interest is more than $200, you can request a direct rollover to an Individual Retirement Account (IRA) or other employer retirement plan that accepts these payments. If you choose not to rollover an interest payment of $200 or more, OPM will withhold federal income tax at the rate of 20 percent.

Eligibility For Insurance Benefits When Receiving Deferred Benefit

You may be interested in knowing whether you will be eligible for health and life insurance benefits when you begin receiving a deferred retirement benefit. Generally, since your coverage under these programs effectively ended when you left federal service, you cannot continue the coverage into retirement.

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Social Security Benefits

Social Security benefits are an important part of retirement planning for most people. Therefore, this chapter discusses the Social Security program in detail, and then covers special Social Security-related legal provisions that apply to many federal employees, such as CSRS-Offset, the Windfall Elimination Provision, and the Government Pension Offset.

As you work and pay taxes, you earn Social Security "credits." In 2007, you earn one credit for each $1,000 in earnings - up to a maximum of four credits per year. (The amount of money needed to earn one credit goes up every year.) Most people need 40 credits (10 years of work) to qualify for benefits. Younger people need fewer credits to be eligible for disability benefits or for family members to be eligible for survivors benefits when the worker dies.

Social Security benefits replace a percentage of your earnings when you retire, become disabled or die. Each year, the Social Security Administration (SSA) will send you a Social Security Statement showing your earnings history and an estimate of the retirement, disability and survivors benefits you and your family may receive based on those earnings.

When you receive your Statement, check your earnings history carefully. Make sure all of your earnings are accurate. Be sure to report any errors. That is important because your benefits will be based on your lifetime earnings. Your Statement also is useful in helping you plan your financial future.

Retirement Benefits

Choosing when to retire is one of the most important decisions you will make in your lifetime. If you choose to retire when you reach full retirement age, you will receive your full retirement benefits. But if you retire before reaching full retirement age, you will receive reduced benefits for the rest of your life.

If you work past your full retirement age, you will get full retirement benefits no matter how much you earn. If you continue working and decide not to collect your retirement benefits until you reach age 70, you will get higher benefits when you retire. If you choose not to collect retirement benefits before you reach full retirement age, you should be sure to file for Medicare when you reach age 65. If you do not, you may have to pay a higher premium when you file later.

Full Retirement Age

If you were born before 1938, you were eligible for your full Social Security benefit on your 65th birthday. In 2003, the age at which full benefits are payable began to increase gradually. The following chart will guide you in determining your full retirement age:

Age To Receive Full Social Security Benefits

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Delayed Retirement
If you choose to work beyond your full retirement age, you have two more options You can work and get full retirement benefits no matter how much you earn; or you can decide not to collect your retirement benefits until age 70 and then get a higher benefit when you do retire.

Social Security benefits are increased by a certain percentage depending on the year you were born. If, for example, you were born in 1940, your benefits would increase 7 percent for each year, between your full retirement age and age 70, that you do not get retirement benefits.

Early Retirement
You may start receiving benefits as early as age 62. However, if you start your benefits early, your benefits are reduced permanently. Your benefit is reduced about one half of one percent for each month you start your Social Security before your full retirement age. For example, if your full retirement age is 65 and 6 months and you sign up for Social Security when you are 62, you would only get 77.5 percent of your full benefit. (Note that the reduction will be greater in future years as the full retirement age increases.)

If You Work And Get Benefits
You can continue to work and still receive retirement benefits. Your earnings in (or after) the month you reach full retirement age will not reduce your Social Security benefits. However, your benefits will be reduced if your earnings exceed certain limits for the months before you reach your full retirement age.

If you work but start receiving benefits before full retirement age, $1 in benefits will be deducted for each $2 in earnings you have above the annual limit. In the year you reach your full retirement age, your benefits will be reduced $1 for every $3 you earn over a different annual limit until the month you reach full retirement age. Once you reach full retirement age, you can keep working and earn all you can, and your Social Security benefit will not be reduced.

Note that people who work and receive disability or Supplemental Security Income payments have different earnings rules. They must report all of their earnings to Social Security no matter what they earn.

Retirement Benefits For Widows And Widowers
If you are receiving widow's or widower's benefits, you can switch to your own retirement benefits as early as age 62, assuming your retirement benefit is more than the amount you receive on your deceased spouse's earnings. In many cases, you can begin receiving one benefit at a reduced rate and then switch to the other benefit at the full rate when you reach full retirement age. The rules are complicated and vary depending on your situation, so talk to a Social Security representative about the options available to you.

Disability Benefits
If you cannot work because of a physical or mental condition that is expected to last at least one year or result in death, you may be eligible for Social Security disability benefits.

SSA's disability rules are different from those of other private plans or government agencies. The fact that you qualify for disability from another agency or program does not mean you will be eligible for disability benefits from us. And having a statement from your doctor indicating you are disabled does not mean you will automatically be eligible for Social Security disability benefits.

People with disabilities, including children, who have little income and few resources, also may be eligible for disability payments through the Supplemental Security Income (SSI) program. For more information about SSI, contact SSA and ask for the publication, "Supplemental Security Income" (Publication No. 05-11000).
If you become disabled, you should file for disability benefits as soon as possible, because it usually takes several months to process a disability claim. SSA may be able to process your claim more quickly if you have the following when you apply:

- Medical records from your doctors, therapists, hospitals, clinics and caseworkers;
- Your laboratory and other test results;
- The names, addresses and phone and fax numbers of your doctors, clinics and hospitals;
- The names of all medications you are taking; and
- The names of your employers and job duties for the last 15 years.

Benefits For Your Family

When you start receiving Social Security retirement or disability benefits, other family members also may be eligible for payments. For example, benefits can be paid to your husband or wife:

- If he or she is age 62 or older; or
- At any age if he or she is caring for your child (the child must be younger than 16 or disabled and receiving Social Security benefits on your record).

Benefits also can be paid to your unmarried children if they are:

- Younger than 18;
- Between 18 and 19 years old, but in elementary or secondary school as a full-time student; or
- Age 18 or older and severely disabled (the disability must have started before age 22).

If you become the parent of a child (including an adopted child) after you begin receiving benefits, let SSA know about the child, so they can decide if the child is eligible for benefits.

Payment Limits For Family Members

Each family member may be eligible for a monthly benefit that is up to half of your retirement or disability benefit amount. However, there is a limit to the total amount of money that can be paid to your family. The limit varies, but is generally equal to about 150 to 180 percent of your retirement benefit.

Benefits If Divorced

If you are divorced, your ex-spouse may qualify for benefits on your earnings. In some situations, he or she may get benefits even if you are not receiving them. To qualify, a divorced spouse must:

- Have been married to you for at least 10 years;
- Have been divorced at least 2 years;
- Be at least 62 years old;
- Be unmarried; and
- Not be eligible for an equal or higher benefit based on his or her own work or someone else's work.

Survivors Benefits

When you die, your family may be eligible for benefits based on your work. Family members who can collect benefits include a widow or widower who is:

- 60 or older; or
- 50 or older and disabled; or
- Any age if he or she is caring for your child who is younger than 16 or disabled and receiving Social Security benefits.

Your children can receive benefits, too, if they are unmarried and:

- Younger than 18 years old; or
- Between 18 and 19 years old, but in an elementary or secondary school as full-time students; or

- Age 18 or older and severely disabled (the disability must have started before age 22).

Additionally, your parents can receive benefits on your earnings if they were dependent on you for at least half of their support.

One-Time Death Payment
If you had enough credits, a one-time payment of $255 also will be made after your death. This benefit may be paid to your spouse or minor children.

If you are divorced, your ex-spouse may be eligible for survivors benefits on your record when you die. He or she must:

- Be at least age 60 years old (or 50 if disabled) and have been married to you for at least 10 years; or
- Be any age if he or she is caring for a child who is eligible for benefits based on your work; and
- Not be eligible for an equal or higher benefit based on his or her own work; and
- Not be currently married, unless the remarriage occurred after age 60 or after age 50 if disabled.

Note: If your ex-spouse remarries after 60, he or she may be eligible for Social Security benefits based both on your work and the new spouse's work, whichever is higher.

Survivors Benefit Limit
Your survivors receive a percentage of your basic Social Security benefit - usually in a range from 75 to 100 percent each. However, there is a limit to the amount of money that can be paid each month to a family. The limit varies, but is generally equal to about 150 to 180 percent of your benefit rate.

Taxability Of Benefits
Some people who get Social Security will have to pay taxes on their benefits. About one-third of current beneficiaries pay taxes on their benefits.

You will have to pay taxes on your benefits if you file a federal tax return as an "individual" and your total income is more than $25,000. If you file a joint return, you will have to pay taxes if you and your spouse have a total income that is more than $32,000. For more information call the Internal Revenue Service's toll-free number, 1-800-829-3676.

Applying For Benefits
Contact SSA when you are ready to file for benefits. If you are just thinking about filing for retirement benefits, you may want to talk with a Social Security representative a few months before the year you plan to retire. To file for disability or survivors benefits, you should apply as soon as you are eligible.

You also can apply for benefits on the SSA's website. Go to www.ssa.gov and click on "Apply for retirement benefits online." You also can calculate your benefit amount.

When you apply for benefits, you will be asked to provide certain documents. The documents you are asked to provide depend on the type of benefits you are filing for. Providing these documents quickly will help you get your benefits faster. You must submit original documents or copies certified by the issuing office – photocopies will not be accepted.

Do not delay filing an application just because you do not have all of the documents you need. The SSA will help you get them.

Here is a list of some documents you may need when you sign up for Social Security:

- Your Social Security card (or a record of your number);
- Your birth certificate;

- Your children's birth certificates (if they are applying);
- Proof of U.S. citizenship or lawful alien status if you (or a child who is applying) were not born in the United States;
- Your spouse's birth certificate and Social Security number if he or she is applying for benefits based on your earnings;
- Marriage certificate (if signing up on a spouse's earnings);
- Your military discharge papers if you had military service; and
- Your most recent W-2 form, or your tax return, if you are self-employed.

The SSA will let you know if other documents are needed when you apply.

How Benefits Are Paid

Social Security benefits generally are paid by direct deposit. Direct deposit is a simple, safe and secure way to receive your benefits. Be sure to have your checkbook or account statement with you when you apply. The SSA will need that information to make sure your monthly benefit is correctly deposited into your account.

If you do not want direct deposit, the SSA will make other arrangements to pay your monthly benefits.

Supplemental Security Income (SSI) Program

If you get Social Security benefits, but have limited income and resources, SSI may be able to help. SSI is financed from general revenues, not Social Security taxes.

SSI makes monthly payments to people who are age 65 or older or who are blind or disabled. The SSA does not count some of your income and some of your resources when deciding whether you are eligible for SSI. Your house and your car, for example, usually are not counted as resources. Call the SSA for more information or to apply for SSI.

Right To Appeal

If you disagree with a decision made on your claim, you can appeal it. The steps you can take are explained in the publication, "The Appeals Process" (Publication No. 05-10041), which is available from SSA.

You have the right to be represented by an attorney or other qualified person of your choice. More information is in the publication, "Your Right To Representation" (Publication No. 05-10075), which is also available from SSA.

Medicare

Medicare is the country's basic health insurance program for people age 65 or older and many people with disabilities.

You should not confuse Medicare and Medicaid. Medicaid is a health care program for people with low income and limited resources. It is usually run by state welfare or social services agencies. Some people qualify for one or the other, while some people qualify for both Medicare and Medicaid.

Medicare has two parts. Medicare provides:

- Hospital insurance (Part A) that helps pay for inpatient hospital care and certain follow-up services; and
- Medical insurance (Part B) that helps pay for doctors' services, outpatient hospital care and other medical services.

Eligibility For Hospital Insurance (Part A)

Most people get hospital insurance when they turn 65. You qualify for it automatically if you are eligible for Social Security or Railroad Retirement benefits. Or you may qualify based on a spouse's (including a divorced spouse's) work. Others qualify because they are government employees not covered by Social Security who paid the Medicare tax.

If you get Social Security disability benefits for 24 months, you will qualify for hospital insurance.

Also, people who have permanent kidney failure that requires maintenance dialysis or a kidney replacement or who have amyotrophic lateral sclerosis (Lou Gehrig's disease) qualify for hospital insurance if they have worked long enough or if they are the spouse or child of a worker who qualifies.

Eligibility For Medical Insurance (Part B)
Almost anyone who is eligible for hospital insurance can sign up for medical insurance. Part B is an optional program. It is not free. In 2008, the premium is $96.40 per month. Most people sign up for this part of Medicare.

Help With Medicare Expenses For People With Low Income
If you have a low income and few resources, your state may pay your Medicare premiums and, in some cases, other "out-of-pocket" medical expenses, such as deductibles and coinsurance. Only your state can decide whether you qualify for help under this program. If you think you qualify, contact your state or local medical assistance (Medicaid) agency, social services or welfare office. You can get more information about this program from the publication, Medicare Savings Programs. To get a copy, call the Medicare toll-free number, 1-800-MEDICARE (1-800-633-4227), or visit www.medicare.gov and click on "Publications."

CSRS Offset Employees
CSRS Offset is the Civil Service Retirement System with Social Security Offset. It is the same as CSRS, except that it is coordinated with Social Security.

CSRS Offset was created in 1987 and generally applies to employees who had a break in Federal service after 1983 that lasted longer than 1 year and had at least 5 years of civilian service as of January 1, 1987. It also applies to employees who were hired into a civilian job before 1984, but did not acquire retirement coverage until after 1984 and had at least 5 years of service as of January 1, 1987.

CSRS Offset employees are covered by both CSRS and Social Security. You earn retirement credit under CSRS, while also earning credits under Social Security. When you retire from the Government, your retirement benefit is computed in the same way that CSRS benefits are computed. However, when you become eligible for Social Security benefits (usually at age 62), your CSRS retirement benefit is reduced, or offset, by the value of the Social Security benefit you earned while working for the Government.

The amount CSRS Offset employees pay for retirement the same amount that CSRS employees pay, however it is reduced, or offset, by Social Security taxes (6.2 % of pay). Agencies contribute a set amount (7% for most employees) to CSRS Offset.

Just like CSRS employees, CSRS Offset employees also are allowed to participate in the Thrift Savings Plan.

Windfall Elimination Provision
If you work for an employer who doesn't withhold Social Security taxes, such as a government agency, the pension you get based on that work may reduce your Social Security benefits.

Your benefit can be reduced in one of two ways. One is the "Government Pension Offset" and applies only if you receive a government pension and are eligible for Social Security benefits as a spouse or widow(er). For more information on this provision, review the Government Pension Offset section below.

The other way - the "windfall elimination provision" - affects how your retirement or disability benefits are calculated if you receive a pension from work where Social Security taxes were not taken out of your pay. A modified formula is used to calculate your benefit amount, resulting in a lower Social Security benefit.

Who Is Affected

The windfall elimination provision primarily affects people who earned a pension from working for a government agency and also worked at other jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits. It also may affect you if you earned a pension in any job where you didn't pay Social Security taxes, such as in a foreign country.

An important point: If you are a federal employee, the windfall elimination provision will affect you only if you are getting a Civil Service Retirement System pension. It will begin with the first month you get both a Social Security benefit and the CSRS pension.

This provision affects Social Security benefits when any part of a person's federal service after 1956 is covered under the CSRS. However, federal service where Social Security taxes are withheld (Federal Employees' Retirement System or CSRS Offset) will not reduce your Social Security benefit amounts.

Your Social Security will be reduced if:

- You reached 62 after 1985; or
- You became disabled after 1985; or
- You first became eligible for a monthly pension based on work where you did not pay Social Security taxes after 1985, even if you are still working.

Why A Different Formula Is Used

Your Social Security benefits are reduced because Social Security benefits were intended to replace only a percentage of a worker's pre-retirement earnings. The way Social Security benefit amounts are figured, lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 55 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, people who worked in jobs not covered by Social Security received benefits that were computed as if they were long-term, low-wage workers. They received the advantage of a higher percentage of benefits in addition to their other pension. Congress passed the windfall elimination provision to eliminate this advantage.

How It Works

Social Security benefits are based on the worker's average monthly earnings adjusted for inflation. This is a complex formula. If you do not understand it, let the SSA know, and they will help you. They separate your average earnings into three amounts and multiply the amounts using three factors. For example, for a worker who turns 62 in 2008, the first $711 of average monthly earnings is multiplied by 90 percent; the next $3,577 by 32 percent; and the remainder by 15 percent.

The 90 percent factor is reduced in the modified formula and phased in for workers who reached age 62 or became disabled between 1986 and 1989. For those who reach 62 or who became disabled in 1990 or later, the 90 percent factor is reduced to 40 percent.

There are exceptions to this rule. For example, the 90 percent factor is not reduced if you have 30 or more years of "substantial" earnings in a job where you paid Social Security taxes. See the first table that lists the amount of substantial earnings for each year. If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to between 45 and 85 percent.

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

Year	Substantial Earnings
2004	16,275
2005	16,725
2006	17,475
2007	18,150
2008	18,975

The second table shows the percentage used depending on the number of years of substantial earnings.

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

There are some exceptions

The windfall elimination provision does not apply to survivors benefits. It also does not apply if:

- You are a federal worker first hired after December 31, 1983;
- You were employed on December 31, 1983, by a nonprofit organization that did not withhold Social Security taxes from your pay at first, but then began withholding Social Security taxes from your pay;
- Your only pension is based on railroad employment;
- The only work you did where you did not pay Social Security taxes was before 1957; or
- You have 30 or more years of substantial earnings under Social Security.

If you get a relatively low pension, you are protected. The reduction in your Social Security benefit cannot be more than one-half of that part of your pension based on your earnings after 1956 from which Social Security taxes were not deducted.

For More Information

For more information, visit the SSA's website at www.ssa.gov or call toll-free 1-800-772-1213 (for the deaf or hard of hearing, call our TTY number, 1-800-325-0778). They can answer specific questions and provide information by automated phone service 24 hours a day. All calls are treated confidentially.

Government Pension Offset

If you receive a government pension, you may not receive any Social Security on your spouse's record because of the Government Pension Offset. Some or all of your Social Security spouse's or widow(er)'s benefit may be offset if you receive a pension from a job where you did not pay Social Security taxes.

Calculating The Offset

The offset will reduce the amount of your Social Security spouse's or widow(er)'s benefits by two-thirds of the amount of your government pension. In other words, if you get a monthly civil service pension of $600, two-thirds of that, or $400, must be used to offset your Social Security spouse's or widow(er)'s benefits. If you're eligible for a $500 widow(er)'s benefit, you'll receive $100 per month from Social Security ($500 – $400 = $100).

If you take your annuity in a lump sum, the offset is figured as if you chose to receive regular monthly benefits.

The Reason For The Offset

Social Security spouse's benefits provide income to wives and husbands who have little or no Social Security benefits of their own. From the beginning of the Social Security program, spouse's benefits were intended for women and men who were financially dependent on their husbands or wives who worked at jobs covered by Social Security.
Before the offset provisions were enacted, many government employees qualified for a pension from their agency and for a spouse's benefit from Social Security, even though they were not dependent on their husbands or wives.

This example may help clarify why there is an offset:

Bill Smith collects a Social Security benefit of $600 per month. His wife, Mary, is potentially eligible for a wife's benefit of up to 50 percent of Bill's, or $300. However, Mary also worked and paid into Social Security, qualifying for her own retirement benefit of $400. By law, Mary can only receive the higher of the two benefits she is eligible for, not both. She will not receive any wife's benefits because her $400 retirement benefit, in effect, "offsets" her $300 wife's benefit.

Bill's neighbor, Tom, also gets a Social Security benefit of $600 per month. But his wife, Nancy, had a job with the federal government, instead of one where she paid Social Security taxes, and earned a civil service pension of $800 per month. Before the government pension offset provisions were in place, Nancy would have been eligible for both her $800 civil service pension and a $300 wife's benefit on Tom's Social Security record. With the offset provision, Nancy does not qualify for a wife's benefit from Social Security and is treated the same as Mary.

Who Is Exempt

- Any state, local or military service employee whose government pension is based on a job where he or she was paying Social Security taxes on the last day of employment. (Some government entities were not initially covered by Social Security, but chose to participate in Social Security at a later date.)
- Anyone whose government pension is not based on his or her own earnings.
- Anyone who received or who was eligible to receive a government pension before December 1982 **and** who meets all the requirements for Social Security spouse's benefits in effect in January 1977.
- Anyone who received or was eligible to receive a federal, state or local government pension before July 1, 1983, and was receiving one-half support from her or his spouse.
- Federal employees, including Civil Service Offset employees, who are mandatorily covered under Social Security. (Civil Service Offset employees are federal employees rehired after December 31, 1983, following a break in service of more than 365 days and who had five years of prior Civil Service Retirement System [CSRS] employment.)
- Federal employees who chose to switch from CSRS to the Federal Employees Retirement System (FERS) on or before December 31, 1987, as well as those employees who were allowed to make a belated switch to FERS

through June 30, 1988. Employees who switched outside of these periods, including those who switched during the open season from July 1, 1998 through December 31, 1998, need five years under FERS to be exempt from the government pension offset.

The Effect On Medicare

Even if you do not receive cash benefits on your spouse's record, you can still get Medicare at age 65.

Getting Benefits On Your Own Record

The offset applies only to Social Security benefits as a spouse or widow(er). Remember, though, that your own benefits may be reduced due to another provision of the law, specifically the Windfall Elimination Provision, discussed above.

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FEHBP and Medicare

As an active or retired federal employee covered by both the Federal Employees Health Benefits (FEHB) Program and Medicare, you need to know how the two programs work together to provide you with your health benefits coverage during your retirement.

New Provisions of Medicare

Medicare has two new provisions: Part C (Medicare Advantage) and Part D (Medicare Prescription Drug Coverage).

Part C: You can enroll in a Medicare Advantage plan to get your Medicare benefits. Medicare Advantage is the term used to describe the various private health plan choices available to Medicare beneficiaries.

Part D: There is a monthly premium for Part D coverage. Most Federal employees do not need to enroll in the Medicare drug program, since all Federal Employees Health Benefits Program plans will have prescription drug benefits that are at least equal to the standard Medicare prescription drug coverage. Still, you may want to be aware of the benefits Medicare is offering, so you can help others make informed decisions. If you have limited savings and a low income, you may be eligible for Medicare's Low-Income Benefits. For people with limited income and resources, extra help in paying for a Medicare prescription drug plan is available. Information regarding this program is available through the Social Security Administration (SSA). For more information about this extra help, visit SSA online at www.ssa.gov, or call them at 1-800-772-1213 (TTY 1-800-325-0778).

Medicare beneficiaries received information about these new choices last fall in Medicare & You, a reference handbook. Medicare's web site (www.medicare.gov) also has information on Medicare Advantage plans. You should contact your retirement system before making any change to your coverage, especially if you are considering suspending your FEHB coverage to enroll in a Medicare Advantage plan. If you are a CSRS or FERS annuitant, you may call OPM's Retirement Information Office at 1-88USOPMRET (1-888-767-6738) or (202) 606-0500 from the metropolitan Washington area, or you may write to:

Office of Personnel Management
Retirement Operations Center
P.O. Box 45
Boyers, PA 16017-0045

What Medicare Covers

Original Medicare has two parts:

Part A (Hospital Insurance) helps pay for:

- inpatient hospital care
- skilled nursing facility care
- home health care
- hospice care

Part B (Medical Insurance) helps pay for:

- doctors’ services

- outpatient hospital care
- X-rays and laboratory tests
- durable medical equipment and supplies
- home health care (if you don't have Part A)
- certain preventive care
- limited ambulance transportation
- other outpatient services
- some other medical services Part A doesn't cover, such as physical and occupational therapy

Medicare does not cover:

- your monthly Part B premium
- deductibles, coinsurance or copayments when you get health care services
- outpatient prescription drugs (with only a few exceptions)
- routine or yearly physical exams
- custodial care (help with bathing, dressing, toileting, and eating) at home or in a nursing home
- most dental care and dentures
- routine foot care
- hearing aids
- routine eye care
- health care you get while traveling outside of the United States (except under limited circumstances)
- cosmetic surgery
- some vaccinations
- orthopedic shoes

Eligibility for Medicare
You are eligible for Medicare if you are age 65 or over. Also, certain younger disabled persons and persons with permanent kidney failure (or End Stage Renal Disease) are eligible.

You are entitled to Part A without having to pay premiums if you or your spouse worked for at least 10 years in Medicare-covered employment. (You automatically qualify if you were a federal employee on January 1, 1983.) If you don't qualify for premium-free Part A, and you are age 65 or older, you may be able to buy it. Contact the Social Security Administration for further information.

You must pay premiums for Part B coverage, which are withheld from your monthly Social Security payment or your annuity.

Types Of Expenses FEHB Plans and Medicare Cover
Generally, plans under the FEHB Program help pay for the same kind of expenses as Medicare. FEHB plans also provide coverage for prescription drugs, routine physicals, emergency care outside of the United States and some preventive services that Medicare doesn't cover. Some FEHB plans also provide coverage for dental and vision care.

Medicare covers some orthopedic and prosthetic devices, durable medical equipment, home health care, limited chiropractic services, and medical supplies, which some FEHB plans may not cover or only partially cover (check your plan brochure for details).

Need For Medicare Coverage When Covered By FEHB
Those who have FEHB coverage often want to know whether they also need Medicare coverage. If you can get Part A premium-free, you should take it, even if you are still working. This will help cover some of the costs that your FEHB

plan may not cover, such as deductibles, coinsurance, and charges that exceed the plan's allowable charges. There are other advantages to enrolling in Part A, such as being eligible to enroll in a Medicare managed care plan.

Part B Coverage

Enrollment in Medicare Part B is voluntary and you must pay a premium. You can sign up for Part B during the seven-month Initial Enrollment Period, which begins three months before the month you turn 65 and ends three months after the month in which you turn age 65.

If you do not sign up for Medicare Part B during your Initial Enrollment Period, you may sign up during any subsequent General Enrollment Period, which is January through March of each year. Coverage is effective July 1. However, your Medicare premium will be increased by 10% for each 12-month period that you could have had Medicare Part B but did not take it, and you will have to pay a premium that is this percentage amount higher than the base Medicare premium for the rest of the time that you have Medicare Part B.

There is one exception. If you don't sign up for Medicare Part B when you first become eligible because you or your spouse are still working and you are covered by an employer or union sponsored plan based on this employment, you are in a Special Enrollment Period and may sign up for Medicare Part B without an increase in your premium:

- at any time while you are still covered by you or your spouse's employer or union group health plan based upon you or your spouse's current or active employment, and
- during the 8 months following the month that the employer or union group health plan coverage ends, or when the employment ends, whichever is first.

Changing FEHB Enrollment When You Become Eligible For Medicare

If you wish, you may change your FEHB enrollment to any available plan or option at any time beginning on the 30th day before you become eligible for Medicare. You may use this enrollment change opportunity only once. You may also change your enrollment during the annual open season, or because of another event that permits enrollment changes (such as a change in family status).

Once Medicare becomes the primary payer, you may find that a lower cost FEHB plan is adequate for your needs, especially if you are currently enrolled in a plan's high option. Also, some plans waive deductibles, coinsurance, and copayments when Medicare is primary.

Dropping FEHB Coverage To Join A Medicare Managed Care Plan

When you enroll in a Medicare managed care plan, you may not need FEHB coverage because the Medicare managed care plan provides you with many of the same benefits. You should review their benefits carefully before making a decision. You should contact your retirement system to discuss suspension and reenrollment.

Reenrolling In FEHB

If you provide documentation to your retirement system that you are suspending your FEHB coverage to enroll in a Medicare managed care plan, you may reenroll in FEHB if you later lose or cancel your Medicare managed care plan coverage.

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, and your reenrollment in FEHB will be made effective 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.

Getting More Information About Medicare

During the fall of each year, you will receive a copy of the Medicare & You handbook, which is also available by calling 1-800-MEDICARE (1-800-633-4227) or TTY 1-877-486-2048. Other useful publications, such as the Guide to Health Insurance for People with Medicare, are also available from this toll-free number or from your State Health Insurance Assistance Program (SHIP) counseling office. You can find SHIP counseling office telephone numbers in the Medicare & You handbook. Medicare information and publications are also available on the Internet at www.medicare.gov. If you do not have a personal computer, your local library or senior center may be able to help you access this website.

Your FEHB plan brochure provides specific information on how its benefits are coordinated with Medicare. Some HMOs participating in the FEHB will coordinate to your greater advantage if you enroll in both their FEHB HMO and their Medicare managed care plan.

Taking Part B Coverage

Keep in mind that you don't have to take Part B coverage if you don't want it, and your FEHB plan can't require you to take it. With that said, there are some advantages to enrolling in Part B:

- You must be enrolled in Parts A and B to join a Medicare Advantage plan.
- You have the advantage of coordination of benefits (described later) between Medicare and your FEHB plan, reducing your out-of-pocket costs.
- Your FEHB plan may waive its copayments, coinsurance, and deductibles for Part B services.
- Some services covered under Part B might not be covered or only partially covered by your plan, such as orthopedic and prosthetic devices, durable medical equipment, home health care, and medical supplies (check your plan brochure for details).
- If you are enrolled in an FEHB HMO, you may go outside of the plan's network for Part B services and receive reimbursement by Medicare (only when Medicare is the primary payer).

Effects Of Not Taking Part B As Soon As You Are Eligible

If you do not take Part B coverage as soon as you are eligible, you must wait for the general enrollment period (January 1 - March 31 of each year) to enroll, and Part B coverage will begin the following July 1. Your Part B premiums will go up 10 percent for each 12 months that you could have had Part B but didn't take it.

If you didn't take Part B at age 65 because you were covered under FEHB as an active employee (or you were covered under your spouse's group health insurance plan and he/she was an active employee), you may sign up for Part B (generally without increased premiums) within 8 months from the time you or your spouse stop working or are no longer covered by the group plan. You also can sign up at any time that you are covered by the group plan.

FEHB Program And Medigap

FEHB is not one of the 10 standardized Medicare supplemental insurance policies known as Medigap (and Medicare SELECT) policies. However, many FEHB plans and options will supplement Medicare by paying for costs not covered by Medicare, such as the required deductibles and coinsurance, and by providing additional benefits not provided under Medicare, such as prescription drugs, routine physicals and additional preventive care.

OPM advises that you do not need to purchase a Medigap policy when you have FEHB and Medicare coverage, since FEHB and Medicare will coordinate benefits to provide comprehensive coverage for a wide range of medical expenses.

Which Plan Pays First – FEHB Or Medicare

Medicare law and regulations determine whether Medicare or FEHB is "primary," or pays benefits first. Medicare automatically transfers claims information to your FEHB plan once your claim is processed, so you generally don't need to file with both. You will receive an Explanation of Benefits (EOB) from your FEHB plan and an EOB or

Medicare Summary Notice (MSN) from Medicare. If you have to file with the secondary payer, send along the EOB or MSN you get from the primary payer.

When FEHB Is The Primary Payer

Your FEHB Plan must pay benefits first when you are an active federal employee or reemployed annuitant and either you or your covered spouse has Medicare, unless your reemployment position is excluded from FEHB coverage or you are enrolled in Medicare Part B only.

Your FEHB Plan must also pay benefits first for you or a covered family member during the first 30 months of eligibility or entitlement to Part A benefits because of End Stage Renal Disease (ESRD), regardless of your employment status.

When Medicare Is The Primary Payer

Medicare must pay benefits first when you are an annuitant, and either you or your covered spouse has Medicare. This includes when you or your covered spouse is a Federal judge who retired under title 28, U.S.C., or a Tax Court judge who retired under Section 7447 of title 26, U.S.C.

Medicare must pay benefits first when you are receiving Workers' Compensation and the Office of Workers' Compensation has determined that you're unable to return to duty.

If Medicare was the primary payer prior to the onset of End Stage Renal Disease, Medicare will continue to pay primary during the 30-month coordination period. However, if Medicare was secondary prior to the onset of End Stage Renal Disease, it will continue to pay secondary until the 30-month coordination period has expired. After the 30-month coordination period has expired, Medicare will pay primary regardless of your employment status.

If you continue to work past age 65, your FEHB coverage will be your primary coverage until you retire. If you are retired with FEHB and Medicare coverage, and are also covered under your spouse's insurance policy through work, your spouse's policy is your primary coverage. Medicare will pay secondary benefits, and your FEHB plan will pay third.

Your FEHB premiums will not change when Medicare becomes primary. You will continue to pay the same premiums, unless you change to another plan or option.

Medicare & FEHB Primary Payer Chart

When Either You or Your Covered Spouse is Age 65 or over, Has Medicare and FEHB, and You are:	The Primary Payer is:
An active employee with the Federal government (including when you or a family member is eligible for Medicare solely because of a disability)	FEHB
An annuitant	Medicare
A reemployed annuitant with the Federal government	FEHB, if the position is not excluded from the FEHB (ask your employing office)
A Federal judge who retired under title 28, U.S.C., or a Tax Court judge who retired under Section 7447 of title 26, U.S.C. (or your covered spouse is this type of judge)	Medicare

Enrolled in Part B only, regardless of your employment status	Medicare, for Part B services
A former Federal employee receiving Workers' Compensation and the Office of Workers' Compensation has determined that you are unable to return to duty	Medicare, except for claims related to the Workers' Compensation injury or illness
When You or a Covered Family Member Has Medicare Based on End Stage Renal Disease (ESRD) and FEHB, and:	The Primary Payer is:
Are within the first 30 months of eligibility to receive Part A benefits solely because of ESRD	FEHB
Have completed the 30-month ESRD coordination period and are still eligible for Medicare due to ESRD	Medicare
Become eligible for Medicare due to ESRD after Medicare became primary for you under another provision	Medicare
When You or a Covered Family Member has FEHB and:	The Primary Payer is:
Are eligible for Medicare based on disability	Medicare, if you are an annuitant. FEHB, if you are an active employee

Coverage For Out-Of-Pocket Costs

Be aware that your FEHB Fee-For-Service Plan may not always cover all of your out-of-pocket costs not covered by Medicare. A managed fee-for-service plan's payment is typically based on reasonable and customary charges, not on billed charges. In some cases, Medicare's payment and the plan's payment combined will not cover the full cost.

Your out-of-pocket costs for Part B services will depend on whether your doctor accepts Medicare assignment. When your doctor accepts assignment, you can be billed only for the difference between the Medicare-approved amount and the combined payments made by Medicare and your FEHB plan.

When your doctor doesn't accept assignment, you can be billed up to 115 percent of the Medicare-approved amount (the "limiting charge") when your FEHB plan's payment and Medicare's payment don't cover the full cost.

Use Of FEHB HMO's Participating Providers When Medicare Is Primary

If you want your FEHB HMO to cover your Medicare deductibles, coinsurance, and other services it covers that are not covered by Medicare, you must use your HMO's participating provider network to receive services and get the required referrals for specialty care.

If you go to your FEHB HMO's providers, you do not have to file a claim with Medicare. If needed, your HMO will file for you and then pay its portion after Medicare has paid. In addition, you do not have to pay Medicare's deductibles and coinsurance when you use your FEHB HMO's doctors. Your HMO will pay the portion not paid by Medicare for covered services.

Usually, however, you will still have to pay your FEHB HMO's required copays. Some HMOs waive payment of their copays and deductibles when Medicare is primary. Check your FEHB plan's brochure for details.

Terms

Assignment
An arrangement where a doctor or medical supplier agrees to accept the Medicare-approved amount (see definition) as full payment for services and supplies covered under Part B. When your doctor accepts assignment, you can be billed only for the difference between the Medicare-approved amount and the combined payments made by Medicare and any secondary payer.

Coinsurance
The amount that you pay for each medical service you get, like a doctor visit. Coinsurance is a percentage of the cost of the service; a copayment is usually a fixed dollar amount you pay for a service.

Coordination of Benefits
When you are covered by more than one type of insurance that covers the same health care expenses, one pays its benefits in full as the primary payer and others pay a reduced benefit as a secondary or third payer. When the primary payer doesn't cover a particular service but the secondary payer does, the secondary payer will pay up to its benefit limit as if it were the primary payer.

Copayment
The amount that you pay for each medical service you get, like a doctor visit. Copayment is usually a fixed dollar amount you pay for a service; a coinsurance is a percentage of the cost of the service.

Deductible
The amount you must pay for health care before your health plan begins to pay. There is a deductible for each benefit period - usually a year. There may be separate deductibles for different types of services. Deductibles can change every year.

Disenroll
Leaving or ending your health care coverage with a health plan.

Durable Medical Equipment (DME)
Medical equipment ordered by a doctor for use in the home. DME must be re-usable. DME includes walkers, wheelchairs, and hospital beds.

Enroll
You enroll when you first sign up to join a health plan.

Health Maintenance Organization (HMO)
A type of health benefits plan that provides care through a network of doctors and hospitals in particular geographic or service areas. HMOs coordinate the health care services you receive. Your eligibility to enroll in an HMO is determined by where you live or, for some plans, where you work. Some FEHB HMOs have agreements with providers in other service areas for non-emergency care if you travel or are away from home for lengthy periods.

Inpatient Care
All types of health services that require an overnight hospital stay.

Managed Fee-For-Service Plan
A traditional type of insurance that lets you use any doctor or hospital, but you usually must pay a deductible and coinsurance or copayment. These plans are called fee-for-service because doctors and other providers are paid for each service, such as an office visit or test. They help control costs by managing some aspects of patient care. Most FEHB managed fee-for-service plans also provide access to preferred provider organizations (PPOs).

Medicare
The federal health insurance program for people 65 years of age or older, certain younger people with disabilities, and people with End-Stage Renal Disease (those with permanent kidney failure who need dialysis or a transplant, sometimes called ESRD).

Medicare-Approved Amount
The amount Medicare determines to be reasonable for a service that is covered under Part B of Medicare. It may be less than the actual charge.

Medicare+Choice
A new Medicare program that provides more choices among health plans. Everyone who has Medicare Parts A and B is eligible, except those who have End-Stage Renal Disease (ESRD).

Medicare Managed Care Plan
An HMO that contracts with Medicare to enroll Medicare beneficiaries. Services must be obtained from the HMO's network of doctors and hospitals to receive full plan benefits. The HMO may charge a monthly premium and require copayments.

Medigap
A supplemental private insurance policy that you can buy for extra benefits either not covered or not fully covered by Medicare. There are 10 standard Medigap plans, ranging from a basic benefits package to ones that cover expenses such as the Part A deductible, Part B deductible, prescription drugs, and/or the skilled nursing coinsurance.

Original Medicare
The traditional fee-for-service arrangement that covers Part A and Part B services.

Out-of-Pocket Costs
Health care costs that you must pay because they are not covered by insurance, such as deductibles, coinsurance, copayments, and noncovered expenses.

Outpatient Care
All types of health services that do not require an overnight hospital stay.

Preferred Provider Organization (PPO)
A fee-for-service option where you can choose plan-selected providers who have agreements with the plan. When you use a PPO provider, you pay less money out-of-pocket for medical service than when you use a non-PPO provider.

Premium
The amount you pay monthly or biweekly for insurance.

Preventive Care
Care to keep you healthy or to prevent illness, such as routine checkups and flu shots, and some tests like colorectal cancer screening and mammograms.

Primary Payer
When coordinating benefits, the health plan that pays benefits first on a claim for medical care.

Referral
Your primary care doctor's written approval for you to see a certain specialist or to receive certain services. Most FEHB HMOs and some Medicare health plans may require referrals. Important: If you either see a different doctor from the one on the referral, or if you see a doctor without a referral and the service isn't for an emergency or urgently needed care, you may have to pay the entire bill.

Secondary Payer
When coordinating benefits, the health plan that pays benefits only after the primary payer has paid its full benefits. When an FEHB managed fee-for-service plan is the secondary payer, it will pay the lesser of (a) its benefits in full, or (b) an amount that when added to the benefits payable by the primary payer, equals 100% of covered charges.

Service Area
The geographic area where a health plan accepts members. For plans that make you use their doctors and hospitals, it is also the area where services are given.

Suspension of FEHB Enrollment
When you notify your retirement system that you are giving up your FEHB coverage to enroll in a Medicare managed care plan, but still retain the right to reenroll in FEHB if your enrollment in the Medicare managed care plan ends. Otherwise, if you cancel your FEHB coverage as an annuitant, you probably may never reenroll.

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Federal Erroneous Retirement Coverage Corrections Act

The Federal Erroneous Retirement Coverage Corrections Act, or "FERCCA," resolves the problem of federal employees being placed in the wrong retirement system during the transition from the Civil Service Retirement System (CSRS) to the Federal Employees Retirement System (FERS) in the mid-1980's. The President signed FERCCA on September 19, 2000. The law provides relief to federal employees who were placed in the wrong retirement plan for at least 3 years of service after December 31, 1986.

Determining Whether You Are In The Right Retirement Plan

Which retirement plan you belong in depends upon the type of appointment you have and your work history. The rules can be complicated. That's how some employees got put in the wrong plan.

Most employees who started working for the government after 1983 should be in FERS. Those who started working for the government on a permanent basis before 1984 should be in CSRS, unless they elected FERS or left government employment for a period of time. When errors occur, they often involve situations where an employee has breaks in government service or changes in appointments.

Below are some of the common errors, broken down by retirement plan. Find your retirement plan and see if you fit into any of the situations listed. If you fit one of the situations listed, you may be in the wrong plan. Remember, there are exceptions to the general rules. You may be in the right retirement plan because you fall under one of the exceptions (such as the one shown under CSRS Offset).

Further Information

OPM has posted a significant amount of information on its website about FERCCA. To learn more, go to: http://www.opm.gov/benefits/correction/.

FERCCA Hotline

If you can't find the answers to your questions on the OPM website or from your agency's Human Resources Office, call the FERCCA Hotline toll-free at 1-888-689-3233. Remember that the FERCCA Hotline is for FERCCA specific questions and not a general retirement information number.

Chart To Determine If You Are In the Wrong Retirement Plan

If your retirement plan is:	Then you may be in the wrong plan if you:
CSRS	Worked for the Government before 1984, but not on a permanent basis; or Left Federal employment for more than a year at any time after 1983; or Have a temporary appointment limited to a year or less, a term appointment, or an emergency indefinite appointment; or Have no Federal civilian employment before 1984; or Do not have a career or career conditional appointment and you work on an intermittent basis. (See the work schedule block on your SF-50.)
CSRS Offset	Have a temporary appointment limited to a year or less, a term appointment, or an emergency indefinite appointment; or Have no Federal civilian employment before 1984; or Do not have a career or career conditional appointment and you work on an intermittent basis (see the work schedule block on your SF-50); or Did not work for the Government for a total of 5 years before 1987 (don't count your military service). Exception: If you worked under CSRS, left the Government, and your agency placed you in CSRS Offset on your return, your CSRS Offset coverage is probably correct if you had 5 years of Government service when you left.)
FERS	Have a temporary appointment limited to a year or less; Do not have a career or career conditional appointment and you work on an intermittent basis; or Have worked for the Government for at least 5 years before 1987 (not including military service) unless you elected to transfer to FERS during a FERS Open Season or after a break in service.

Appendix A - Online Retirement Calculators

Projecting Your TSP Account Balance
This calculator allows you to estimate the growth of your TSP account.
http://www.tsp.gov/calc/PAB_intro.html

Annuity Calculator
This calculator helps you estimate your monthly annuity payments if you have the TSP purchase an annuity for you with your account balance after you leave federal service.
http://www.tsp.gov/calc/index.html

American Savings Education Council Ballpark Estimate
http://www.choosetosave.org/ballpark/

Bloomberg.com Retirement Calculator
http://www.bloomberg.com/analysis/calculators/retire.html

Money.com Retirement Calculator
http://cgi.money.cnn.com/tools/retirementplanner/retirementplanner.jsp

This Appendix does not constitute an endorsement of any of the above companies or calculators.
It is merely provided as a reference tool for handbook readers.

Appendix B - Glossary of Terms

Alternative Form of Annuity
Retirees who have a life-threatening illness or other critical medical condition can choose to receive an Alternative Form of Annuity. In the alternative annuity, you receive a reduced monthly benefit, plus a lump sum payment equal to all your unrefunded contributions to the retirement fund. The amount of reduction in your monthly benefit depends on your age at the time you retire and the amount of your retirement contributions. Your election of an Alternative Form of Annuity does not affect the potential survivor annuity payable to your spouse or children.

You cannot choose the Alternative Form of Annuity if you are retiring for disability or if you have a former spouse who is entitled to court-ordered benefits based on your service. For the tax treatment of your benefits under this option, see IRS Publication 721, available on the Internal Revenue Service (IRS) web site at http://www.irs.gov.

Deposit
A deposit is the payment of the retirement deductions, plus interest, which would have been withheld from your pay if you had been covered by the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) during a period of employment when retirement deductions were not withheld from your salary. You are not required to make this type of payment.

Deposit for Service Ending before October 1, 1982 and Covered by CSRS
You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed before October 1982 during which retirement deductions were not withheld from your pay. You will receive retirement credit for all of this service whether or not you pay the deposit. However, unless you pay the deposit in full, your annual benefit will be reduced by 10 percent of the deposit amount due at retirement. Also, any annuity due your surviving spouse will be reduced proportionately. Interest is charged from the midpoint of periods of service through the date of the bill. If full payment is received within 30 days after the bill is issued, no additional interest is charged. Otherwise, interest will be computed after each payment at the rate of 3 percent for the interval since the most recent payment you have made. You may pay installments of $50 or more, but paying the full amount minimizes further interest charges. After each payment OPM will send you an updated account statement.

Deposit for Service Ending after October 1, 1982 and Covered by CSRS
You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed on or after October 1982 during which retirement deductions were not withheld from your pay. Unless you pay the deposit in full, you will not receive credit for the service in your annuity. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged through December 31 of the year before the year in which the bill is being issued. If full payment is received by December 31 of the year in which the bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rates described in the table below under “Interest Rates.”

Deposit for Service Ending before January 1, 1989 and Covered by FERS
You can make a deposit for creditable Federal Employees Retirement System (FERS) service you performed before 1989 during which retirement deductions were not withheld from your pay. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged to the date the deposit is paid in full or annuity begins, whichever is earlier. Interest is applied at the rates described in the table below under “Interest Rates.” If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit.

Deposit for Service Ending after January 1, 1989 and Covered by FERS
With certain minor exceptions, a Federal Employees Retirement System (FERS) employee cannot make a deposit for non-contributory service performed after January 1, 1989.

Disabling Conditions for Children
Monthly survivor annuity payments can continue if a child is incapable of self-support due to a physical or mental disability that began before age 18.

If you have a disabled child who receives benefits as a minor, you should send a letter asking OPM to continue benefits after the child reaches 18 because of the incapacity for self-support. You should send the letter about 90 days before your child reaches age 18.

You should include a doctor's statement. The statement should include the child's name, the CSF survivor claim number, a full report of the disability, including the date it started, the degree of impairment, probable length of the disability, a brief educational and employment history, if any, and the name, address, telephone number, and signature of the physician. Monthly survivor benefits to a disabled dependent stop when the disabled child recovers from the disability, becomes capable of self-support, marries, or dies.

Eligible Children
Dependent minor children, including stepchildren and adopted children, of deceased federal employees and retirees are eligible for a monthly survivor benefit. Benefits to minor children stop when they reach age 18, marry, or die.

Full-Time Students
Monthly survivor annuity payments for a child can continue after age 18 if the child is a full-time student attending a recognized school. Benefits can continue until age 22.

To be considered a full-time student, high schools, trade schools, and vocational schools generally require 25 or more actual clock hours of classroom attendance each week. Colleges and universities generally require an enrollment for a minimum of 12 credit hours per semester to be considered full-time. A recognized school is one that has a faculty and requires study to be done at the school. High schools must be licensed by the state. All other schools must be accredited by a nationally recognized accrediting agency. OPM does not recognize correspondence schools, elementary schools, home schools, Job Corps, U.S. military service academies such as the U.S. Naval Academy, or any training programs where the trainee receives pay primarily as an employee.

High-3 Average Salary
Your "high-3" average salary is determined by finding your highest average basic pay over any three-year period. The three years must be consecutive. Generally, the final three years of service include the highest pay, but pay from an earlier period can be used if it was higher.

Your basic pay is the basic salary for which retirement deductions are withheld, such as for shift rates, night shift differential, etc. It does not include payments for overtime, bonuses, etc.

Interest Rates
Beginning in 1985, interest rates vary each calendar year, according to the interest rates earned by new retirement fund securities.

Minimum Retirement Age
This is the age at which you could have first retired had you not become disabled.

Redeposit
A redeposit is the repayment of retirement deductions that were previously withheld and refunded to you, plus interest. You are not required to make this type of payment.

Redeposit Service and Covered by FERS

You can repay any refund you received for any period of civilian service during which retirement deductions were withheld from your pay and later returned to you before you were covered by Federal Employees Retirement System (FERS). Interest is charged from the date of the refund and compounded annually. Interest is charged to the date full payment is made or the date annuity begins, whichever is earlier. Interest is applied at the rates described in the table above under "Interest Rates." If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit.

Redeposit Service Ending before October 1990 and Covered by CSRS

You can repay the refund you received for periods of civilian service ending before October 1990 during which retirement deductions were withheld from your pay and later refunded to you. However, you will receive credit for all of this service whether or not you make the payment (unless you retire under the disability provisions of the law). Your annuity will be subject to permanent actuarial reduction based on the amount of redeposit and interest due and your age at retirement. The actuarial reduction will not be applied to any annuity due your surviving spouse. You can avoid the reduction by repaying the refund.

If the refund was paid before October 1, 1982, interest is charged up through the billing date. If full payment is received within 30 days after the bill is issued, no additional interest will be charged. Otherwise, interest will be computed after each payment at the rate of 3 percent for the interval since the most recent payment.

If the refund was paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rates described in the table above under "Interest Rates."

Redeposit Service Ending after October 1990 and Covered by CSRS

You can repay the refund you received for periods of civilian service ending on or after October 1, 1990, during which retirement deductions were withheld from your pay and later refunded to you. Unless you pay the redeposit in full, you will not receive credit for this service in the computation of your annuity. Consequently, your annuity, as well as any annuity due your surviving spouse, will be reduced. For refunds paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rated described in the table above under "Interest Rates."

Retirement Contributions

Retirement deductions were withheld from your pay while you worked for the government and were covered by a retirement program such as the Civil Service Retirement or Federal Employees Retirement Systems. These contributions help fund your retirement benefits.

Temporary Continuation of Coverage (TCC)

Spouses who lose health benefits coverage because of divorce, and children who lose coverage because they turned 22, are eligible for their own Temporary Continuation of Coverage health benefits enrollment. A TCC enrollment allows the spouse or child losing coverage to continue Federal Employees Health Benefits (FEHB) Program coverage for 36 months after they first lose coverage.

You must apply for TCC coverage within 60 days of losing coverage. The monthly premium for TCC coverage includes the full premium (both the enrollee and government shares) and a two percent administrative fee. With a TCC enrollment, you can have the same coverage you had as a family member in the FEHB program.

Valid Court Order for Life Insurance

To be valid, the court order must be a certified copy. The appropriate office must receive the certified copy on or after July 22, 1998, and before your death and it must expressly provide for someone to receive your Federal Employees Group Life Insurance (FEGLI) benefits. The appropriate office for employees is the individual employee's agency human resources office; for annuitants it is the Office of Personnel Management (OPM). The date of the court order is not relevant. What counts is the date that the appropriate office receives the court order. Even if that office already has a copy, that copy is invalid for life insurance purposes unless it is received on or after July 22, 1998. Submit another certified copy if necessary. "Court order" means a certified court decree, court order, or court-approved property settlement agreement incident to your court decree of divorce, annulment, or legal separation.

Appendix C - Calculate Tax-Free Amount of Your Retirement Benefit

The Internal Revenue Service has provided the following general information about the taxation of your monthly annuity payments. For additional information other than that provided below, you should contact the Internal Revenue Service.

Disability Retirement

If you retired for disability, all of your disability annuity payments are fully taxable until you reach the age at which you would have first been eligible to retire based on your age and service. This is called the minimum retirement age. Generally, the combinations of minimum age and service for retirement are:

- age 55 and 30 years of service
- age 60 and 20 years of service
- age 62 and five years of service

As soon as you reach the age shown in the combinations above, for tax purposes, you would treat your annuity payments as shown below, as if you did not retire for disability.

Non-Disability Retirement

If you did not retire for disability and your annuity started after July 1, 1986, part of each payment is taxable and part is a tax-free return of the retirement contributions you made while you worked. Your total retirement contributions are shown on the original statement of your annuity. They are also shown on the form 1099R OPM sends you each January to let you know the amount it paid you in the previous year to use in preparing your tax return. You must refigure the tax-free annuity portion if your retirement contributions are adjusted.

To figure the tax-free portion of your annuity, divide the amount of your retirement contributions by the appropriate factor from the charts below. If your annuity began between July 2, 1986 and November 18, 1996, use chart number one to figure the tax-free portion of your annuity.

Use chart two if your annuity started after November 18, 1996. Also use chart two if your annuity started on or after January 1, 1998 and it is not reduced to provide a benefit after your death for your husband or wife.

Use chart three if your annuity started on or after January 1, 1998 and it is reduced to provide a benefit for your husband or wife after your death. Chart three is based on your age at retirement added to the age of your spouse who will be paid after your death.

Chart One: Retirements before November 19, 1996

Age 55 and under	Divide by 300
Age 56-60	Divide by 260
Age 61-65	Divide by 240
Age 66-70	Divide by 170
Age 71 and over	Divide by 120

Chart Two: Retirements from November 19, 1996 and Unreduced Retirements Starting January 1, 1998

Age 55 and under	Divide by 360
Age 56-60	Divide by 310
Age 61-65	Divide by 260

Age 66-70	Divide by 210
Age 71 and over	Divide by 160

Chart Three: Reduced Retirements Starting January 1, 1998 (Combined Ages)

Ages Total Not More than 110	Divide by 410
Ages Total More than 110	Divide by 360
Ages Total More than 120	Divide by 310
Ages Total More than 130	Divide by 260
More than 140	Divide by 210

Calculating the Tax-Free Portion of Your Monthly Annuity

To figure the tax-free portion of your annuity, divide the amount of your retirement contributions by the appropriate factor. The answer you get is the tax-free part of each monthly payment from OPM. For example, if your retirement contributions were $25,000, your reduced annuity started after January 1, 1998, you were 57 when you retired, and your spouse was 55, the part of you annuity payment that is not taxable is $69.44 ($25,000 divided by 360 = $69.44). You would use chart three and divide by 360 because your combined ages of 57 and 55 equal 112. After you have claimed a tax-free amount equal to your retirement contributions, all of your retirement benefit is subject to tax. If you die before you claim all the tax-free amount, your survivor can claim the same tax-free amount until it equals your retirement contributions. These guidelines are more fully explained in IRS Publication 721, Tax Guide to U.S. Civil Service Retirement Benefits.

How to Start, Change, or Stop Your Monthly Federal Income Tax Withholding

To change your federal or state income tax withholdings or request a duplicate statement for tax filing purposes (1099R), use OPM's Services Online at http://www.servicesonline.opm.gov/mainris.htm

Appendix D - Additional Resources

Administration on Aging - http://www.aoa.dhhs.gov

American Association of Homes and Services for the Aging - http://www2.aahsa.org

American Association of Retired Persons – http://www.aarp.org

Elderhostel: Adventures in Lifelong Learning – http://www.elderhostel.org

FREE Feddesk Handbooks – http://www.feddesk.com

FREE Federal Handbooks – http://www.federalhandbooks.com

HUD's Senior Citizens - http://www.hud.gov/groups/seniors.cfm

Medicare – http://www.medicare.gov

National Association of Retired Federal Employees – http://www.narfe.org

National Council on the Aging - http://www.ncoa.org

NIH's National Institute on Aging – http://www.nia.nih.gov

National Senior Citizens Law Center - http://www.nsclc.org

Retirement Net – Retirement Communities and Homes – http://www.retirenet.com

Senior Job Bank – http://www.seniorjobbank.org

Senior Law - http://www.seniorlaw.com

Senior Service America - http://www.seniorserviceamerica.org/home.html

Social Security Administration – http://www.ssa.gov

USA.gov – http://www.usa.gov/Topics/Seniors.shtml

WAEPA – http://www.waepa.org

This Appendix does not constitute an endorsement of any of the above organizations or companies.
It is merely provided as a reference tool for handbook readers.