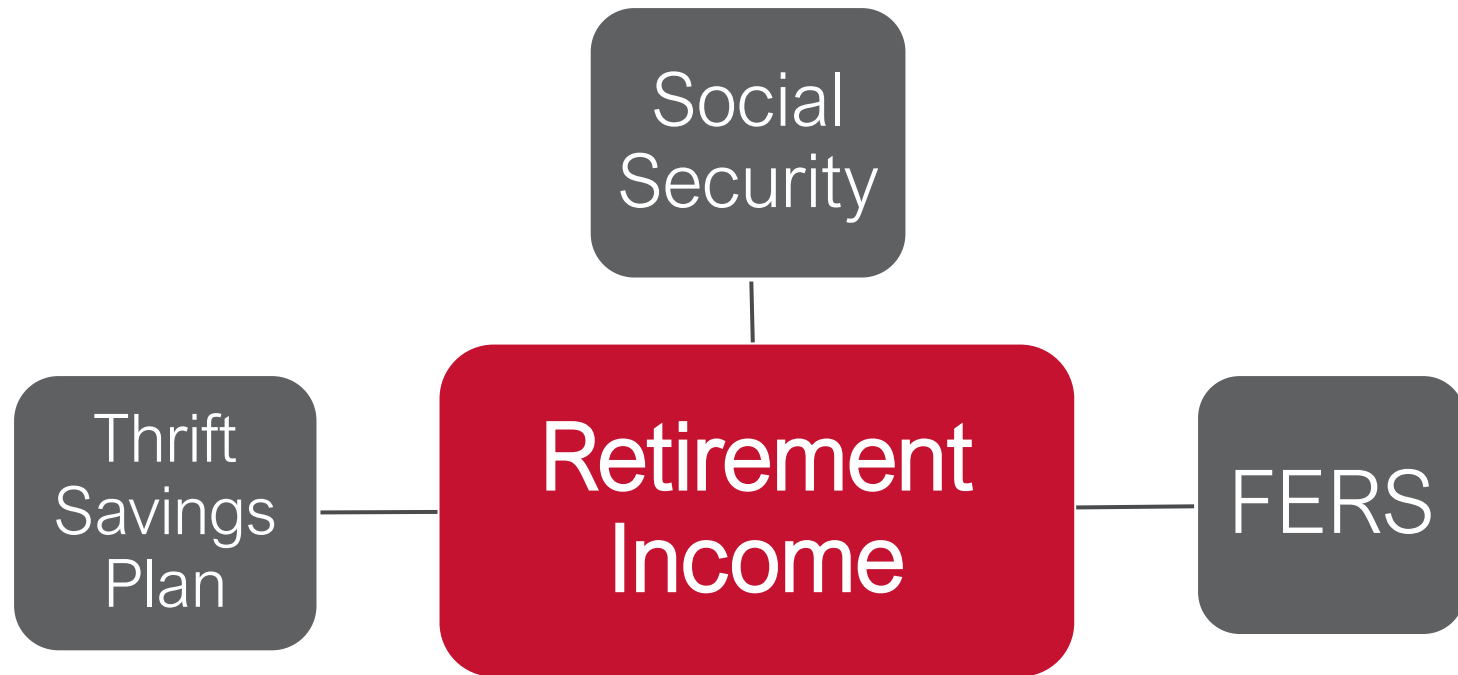


Federal Employee Benefits Webinars

- ❑ **Federal Employee Retirement System (FERS)**
- ❑ Social Security Benefits (SS / SSDI)
- ❑ Thrift Savings Plan (TSP)
- ❑ Insurance Benefits (Health, FEGLI, Medicare)

Three Sources of Retirement Income





What You Need to Know About Your Federal Employee Retirement System (FERS)

Stephanie Summers, ChFEBCSM, RFC, MBA
Jeremiah Thompson, CFP®, MSPFP

Types of Retirement

- Regular/Normal/Full
- Disability
- Early
 - ▣ Voluntary (optional)
 - ▣ Involuntary (discontinued service)
- Deferred
- Postponed

Retirement Eligibility

- Minimum Requirements for all types of retirement:
 - 5 years civilian service
 - Must separate from a position subject to FERS coverage



Age and Service Requirements For Regular/Full/Normal Retirement

- MRA with at least 30 years of service
- Age 60 with at least 20 years of service
- Age 62 with at least 5 years of service

Minimum Retirement Age (MRA)

Birth year	MRA
Before '48	55
1948	55 + 2 months
1949	55 + 4 months
1950	55 + 6 months
1951	55 + 8 months
1952	55 + 10 months
1953-1964	56
1965	56 + 2 months
1966	56 + 4 months
1967	56 + 6 months
1968	56 + 8 months
1969	56 + 10 months
1970 +	57



Disability Retirement

- Any age
- Job deficiency
- Medical criteria
- Reassignment

* Must have worked for the government for at least 18 months



Early Retirement

- MRA with 10 or more years of service is eligible for retirement but with reduced benefit
 - ▣ Example: Age 55 with 20 years of service would be eligible for reduced benefit
 - ▣ Not eligible for annuity supplement

Deferred Retirement vs Postponed Retirement

Leave federal service and keep contributions in system but wait to draw pension later

Deferred

- ❑ NOT eligible for MRA+10 at separation, but had at least 5 years of service
- ❑ NOT eligible for FEHB in retirement

Postponed

- ❑ Eligible for MRA+10 at separation but don't want reduction
- ❑ You CAN start up FEHB again in retirement. No health benefits during postponement

How Much Will I Get?

- Annuity Computation is based on:
 - Pension Multiplier
 - High-3 Average Salary
 - Total Length of Creditable Service

Example: Under Age 62

- **\$100,000** salary
32 years, 9 mo. service
(32.75 years)
- $1\% \times \$100,000 \times 32.75$
= \$32,750/year

Example: Over Age 62 (with 20+ yrs)

- **\$100,000** salary
32 years, 9 mo. service
(32.75 years)
- $1.1\% \times \$100,000 \times 32.75$
= \$36,025/year



Annuity Supplement

For those **UNDER AGE 62** who retire at MRA with 30 years, or retire at age 60 with 20 years

- Supplement ends at age 62.
- Roughly equals SS earned during FERS service
- Subject to Earnings Test. May not have earned income above \$17,640 or supplement will be reduced. SSDI and investment income don't affect.
- CAN collect SSDI and FERS Supplement simultaneously



Survivor Annuity Elections

Married

- Survivor benefits for either current spouse or former spouse (maximum or less than maximum)
- Combination current/former spouse
- Self-only annuity
- Insurable interest survivor annuity

Single

- Self-only annuity
- Insurable interest survivor annuity
- A survivor annuity for a former spouse (maximum or less than maximum)

Survivor Annuity Election Considerations

- Does s/he need my income to meet basic living needs?
- Can I live off the annuity left after the reduction?
- Is it likely I will be around a long time with this reduction?
- Is it likely my spouse will not be around long after I retire?
- Does my spouse need my health insurance coverage?

Reduction for Survivor Annuity Election

If you elect the maximum survivor benefit, your own annuity will be reduced, depending on the age difference between you and your survivor.

Cost	Reduction in Annuity
Older, same age, less 5 yrs younger	10%
5 less than 10 yrs younger	15%
10 but less than 15 yrs younger	20%
15 but less than 20 yrs younger	25%
20 but less than 25 yrs younger	30%
25 but less than 30 yrs younger	35%
30 but more years younger	40%

Best Days to Retire

- Always choose the last day of the month to retire.
- Retirement Annuity commences the very next month.

Example: Retire on December 31st

January: Last paycheck

January 1: Commencement date

February 1: First pension payment

Example: Retire on January 3rd

January 1 – 3: Paid as employee

January 4 – 31: Not paid

February 1: Commencement date

March 1: First pension payment



Retirement Application Process

- Notify your agency 2-3 months prior to retirement date
- Agency is responsible for:
 - Assisting in completing retirement application and related forms
 - Determining eligibility to continue Health and Life Insurance
 - Verifying all civilian and military service
 - Providing annuity estimates



Timelines After Separation

- Acknowledgement Letter, CSA number, and Interim Checks will start
- At least 8 weeks – retirement processing complete
 - Actual amount of annuity determined
 - Adjustment payment is sent
 - Federal retirement handbook is sent

Reminders

- ❑ Federal tax withholding requires a completed W-4
- ❑ State taxes are not automatically withheld; contact OPM directly to add
- ❑ Visit OPM's website opm.gov/retire for retirement info

U.S. Office of Personnel Management
Retirement Operations Center
Boyers, PA 16017 or email OPM: retire@opm.gov



Tax Impact

States with no income tax	States that exempt full federal pension
Alaska	Alabama
Florida	Hawaii
Nevada	Illinois
New Hampshire	Kansas
South Dakota	Louisiana
Tennessee	Massachusetts
Texas	Mississippi
Washington	New York
Wyoming	Pennsylvania

Tax Impact

States with SOME exemption

Arizona	Maryland	Oklahoma (partially exempt)
Arkansas	Michigan	South Carolina
Colorado	Minnesota	Tennessee
Delaware	Missouri	Utah
Georgia	Montana	Virginia
Indiana	New Hampshire	West Virginia
Iowa	New Jersey	Wisconsin
Kentucky	New Mexico	
Maine	Ohio	

Tax Impact

States that fully tax

California

Connecticut (except military pensions)

District of Columbia (except survivor pensions)

Idaho

Nebraska

North Carolina: exempt only if retiree had 5 years of service by 8/12/89

Oregon: Except any portion from service prior to 10/1/91 exempt



Conclusion

www.kramerwealth.com

240.439.6889 VP | 240.379.6929 V
info@kramerwealth.com



Although the information has been gathered from sources believed to be reliable, it cannot be guaranteed, and the accuracy of the information should be independently verified. Securities and Investment Advisory Services offered through FSC Securities Corporation, member FINRA/SIPC. Traditional/Fixed Insurance offered through Kramer Wealth Managers which is not affiliated with FSC Securities Corporation. Branch office: 9099 Ridgefield Drive, Suite 101, Frederick, MD 21701. Neither Kramer Wealth Managers nor FSC Securities Corporation are affiliated with or endorsed by the Federal Government. Kramer Wealth Managers and FSC Securities do not offer tax or legal advice.