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2003 Federal Retirement Handbook

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- Medicare Benefits Handbook
- Thrift Savings Plan Account Handbook
- Trusts and Estates Handbook
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- Federal Health Benefits Handbook

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Contents

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

1. 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.

2. 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.

3. 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 5 different funds. In 2003, FERS employees can contribute up to 13% of their basic pay to the TSP, while CSRS employees can contribute up to 8% of their basic pay, up to the IRS limit of $12,000.

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 $12,000 IRS limit. The maximum allowable amount for catch-up contributions for 2003 is $2,000. **This means that federal employees age 50 and older can contribute up to $14,000 to the TSP this year.**

Eligible participants will be able to elect catch-up contributions in July 2003, or anytime thereafter. Elections made in July will be effective in August. The delay in permitting the catch-up contributions is to allow agencies to make required changes to their personnel and payroll systems before catch-up contributions go into effect.

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 that 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.

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.

4. 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 $3,000 each year to an IRA in 2003 and 2004. Those age 50 and older can contribute an additional $500 each year in "catch up" contributions in 2003 and 2004.

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.

A married couple filing jointly can also contribute up to $3,000 to an IRA for a non-working spouse (or $3,500 for those age 50 or older by the end of the year for which they are making the contribution). Keep in mind, however, that there may be income limits that apply. See your financial planner for more details.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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. As part of your retirement planning efforts, be sure to check out the Appendices in this handbook for a list of useful online retirement calculators and other resources.

2

Computing Federal Retirement Benefits

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.

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.

CSRS employees are also allowed to participate in the Thrift Savings Plan. Currently, CSRS employees may contribute up to 8% of basic pay each pay period, although they do not receive any government contributions to their TSP accounts. For 2003, the maximum amount of pay that employees can contribute to the TSP is $12,000. Remember too that, beginning in July 2003, federal employees age 50 and older can contribute an additional $2,000 to their TSP accounts – up to a maximum of $14,000 this year.

An online tool to help you calculate your CSRS retirement benefits is available at http://www.finance.gsa.gov/csrs. This "CSRS Retirement Calculator" is valid only for those federal employees who have all of their service under the Civil Service Retirement

System. If you have any FERS service, do not use this calculator because the information will not be accurate.

You can also try another online tool called the "Federal Employees Retirement Calculator" at http://www.seniors.gov/fedcalc.html to compute your retirement benefits. The Federal Employees Retirement Calculator allows you to compute an estimate of your CSRS, CSRS Offset and FERS retirement benefits - normal, early or disability - as well as an estimate of your future TSP savings and Social Security benefits. This calculator is designed for almost all federal employees, including those in special occupations such as law enforcement, firefighters, air traffic controllers, and those under the Congressional retirement rules. The Foreign Service is currently excluded from this calculator.

Federal Employees Retirement System
The Federal Employees Retirement System (FERS) became effective on January 1, 1987. Almost all new federal 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. The three components are the:

- FERS Basic Benefit
- Social Security Benefit
- Thrift Savings Plan Benefit

The FERS basic benefit provides retirement, disability, and survivor benefits and may be reduced for early retirement or to provide survivor protection.

The FERS basic benefit is computed based on your length of service and the highest average basic pay you earned during any 3 consecutive years of service (known as the "high-3" average pay). Generally, the FERS basic benefit is 1% of your high-3 average pay times your years of creditable service. The formula is as follows:

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. For example, the total could be reduced if you elect to retire at the minimum retirement age before completing 30 years of service.

Additionally, FERS employees can currently contribute up to 13% of basic pay per pay period to the Thrift Savings Plan. For 2003, the maximum amount of your pay that you can contribute to the TSP is $12,000. If you are a federal employee age 50 or older, you can contribute an extra $2,000 to your TSP account beginning in July 2003. This means that you can contribute up to $14,000 in 2003.

FERS employees can also receive two types of agency contributions to their TSP accounts, which together can equal as much as 5 percent of basic pay. These two agency contributions are Agency Automatic (1%) Contributions and Agency Matching Contributions, as explained below.

Agency Automatic (1%) Contributions - When you become eligible, your agency automatically deposits into your TSP account an amount equal to 1% of your basic pay each pay period, even if you do not contribute your own money to the TSP.

Agency Matching Contributions - When you become eligible, your agency will match the first 3% of basic pay you contribute each pay period dollar for dollar. Each dollar of the next 2% of basic pay will be matched 50 cents on the dollar.

An online tool to help you calculate your FERS retirement benefits is available at http://www.seniors.gov/fedcalc.html. The Federal Employees Retirement Calculator allows you to compute an estimate of your CSRS, CSRS Offset and FERS retirement benefits - normal, early or disability - as well as an estimate of your future TSP savings and Social Security benefits. This model is designed for almost all federal employees, including those in special occupations such as law enforcement, firefighters, air traffic controllers, and those under the Congressional retirement rules. The Foreign Service is currently excluded from this calculator.

Special Retirement Supplement

If you transfer to FERS from CSRS, and you have at least one calendar year (January 1st to December 31st) of FERS service when you retire, you will be eligible for the Special Retirement Supplement. This supplement (also known as the "FERS supplement") is unique to FERS. It substitutes for the Social Security part of your total FERS benefit until age 62, when most people become eligible for Social Security. The purpose of the supplement is to provide a level of income before age 62 similar to what you will receive at age 62 as part of a Social Security benefit. The supplement stops at age 62 even if you are not eligible for Social Security. Like Social Security benefits, the supplement is subject to an earnings test, which means the supplement is reduced if your income from earnings or self-employment is higher than an allowable amount.

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.

As stated above, 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.

There are special rules for firefighters, law enforcement personnel, and air traffic controllers who retire under FERS because of special retirement programs that apply to these particular groups. Check with your Human Resources office if you fall into one of these categories so that you can correctly determine your retirement supplement.

CSRS Offset

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 January 1, 1984 and had at least 5 years of service by 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, 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 is the same amount that CSRS employees pay, however it is reduced, or offset, by Social Security taxes.

Just like CSRS employees, CSRS Offset employees are also are allowed to participate in the Thrift Savings Plan and currently may contribute up to 8% of basic pay, without a government contribution. For 2003, the maximum amount that employees can contribute to the TSP is $12,000, unless they are age 50 and older, in which case they qualify for the TSP "catch-up" contributions, and can contribute up to $14,000 in 2003.

Social Security-Only

Social Security-Only means coverage under Social Security without also being covered under either CSRS or FERS. You would have Social Security-Only coverage if you were hired under an appointment that is excluded from CSRS or FERS.

Usually employees serving under temporary appointments (limited to 1 year or less), intermittent employees, and other appointments that would not be expected to last at least 5 years (such as term and excepted indefinite appointments) are excluded from CSRS. Employees serving under temporary (limited to 1 year or less) appointments and intermittent employees are generally excluded from FERS.

Retirement Eligibility

Eligibility For FERS Retirement
There are three categories of benefits in the FERS Basic Benefit Plan:

- Immediate
- Early
- Deferred

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

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 - An immediate retirement benefit is one that starts within 30 days from the date you stop working.

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

If you retire at the MRA with at least 10, but less than 30 years of service, your benefit will be reduced by 5 percent a year for each year you are under 62, unless you have 20 years of service and your benefit starts when you reach age 60 or later. Bear in mind, though, that you can avoid part or all of the reduction by postponing the commencing date of your annuity.

Early - Refers to special eligibility rules as follows:

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 - Refers to delayed payment of benefit until criteria are met, as follows:

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 reach one of the following ages:

AGE	**YEARS OF SERVICE**
62	5
60	20
MRA	30
MRA	10

If you retire at the MRA with at least 10, but less than 30 years of service, your benefit will be reduced by 5 percent a year for each year you are under 62, unless you have 20 years of service and your benefit starts when you reach age 60 or later. As with the immediate annuity, you can avoid part or all of the reduction by postponing the commencing date of your annuity.

Eligibility For CSRS Retirement

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 in the table below:

Type of retirement	Minimum Age	Minimum Service (Years)	Special Requirements
Optional	62	5	None
	60	20	None
	55	30	None
Special Optional	50	20	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	Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function determined by the Office of Personnel Management. Annuity is reduced if under 55.
Discontinued Service	Any Age 50	25 20	Your separation must be involuntary and not a removal for misconduct or delinquency. Annuity is reduced if under 55.
Disability	Any Age	5	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. Application must be prior to retirement, or within one year of separation, except in cases of mental incompetence.

4

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:

- The beginning and ending dates for each period of employment which will be used for your benefit computation;
- The effective dates for each promotion or within-grade increase during the period that will be used to compute your high-3 average salary;
- The dates of pay changes or earnings and the pay rate, during employment periods when retirement deductions were not withheld from your salary;
- 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);
- A record of time actually worked during intermittent or "when-actually-employed" service; and
- 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
Cleveland Center
Retired Pay Operations
P.O. Box 99191
Cleveland, Ohio 44199-1126

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.

5

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

OPM:

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.

6

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. Read the section entitled "January 2003 Cost-of-Living Adjustment" in Appendix C of this handbook for more information.

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 D of this handbook.

7

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 Affect 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.

8

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.

Read about this year's Cost-Of-Living-Adjustment for those who receive benefits under CSRS, FERS, FERS Special, or Organization and Disability Retirement System (ORDS) by reviewing the January 2003 Cost-Of-Living-Adjustment in Appendix C of this handbook.

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.

9

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. In the Washington, D.C. area, call (202) 606-0500.
- 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 http://www.opm.gov 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. In the Washington, D.C. area, call OPM at (202) 606-0500.
- 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.

10

Address and Withholding Changes

Viewing Annuity Payments Statement Online

You can use Services Online (http://www.servicesonline.opm.gov/mainris.asp) 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. In the Washington, D.C. area, you can call (202) 606-0500.

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/03/index.asp 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 or (202) 606-0500 in the Washington, D.C. area 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/sav.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 or (202) 606-0500 in the Washington, D.C. area, 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 or (202) 606-0500 in the Washington, D.C. area, 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.

11

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 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.

12

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.

13

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.

An Introduction To The Social Security Program

Qualifying For Retirement Benefits

When you work and pay Social Security taxes (called "FICA" on some pay stubs), you earn Social Security credits. Most people earn the maximum of four credits per year. The number of credits you need to get retirement benefits depends on your date of birth. If you were born in 1929 or later, you need 40 credits (10 years of work). People born before 1929 need fewer than 40 credits (39 credits if born in 1928; 38 credits if born in 1927; and so forth).

If you stop working before you have enough credits to qualify for benefits, your credits will remain on your Social Security record. If you return to work later on, you can add more credits so that you qualify. No retirement benefits can be paid until you have the required number of credits.

If you're like most people, you will earn many more credits than you need to qualify for Social Security. These extra credits do not increase your Social Security benefit. However, the income you earn while working will increase your benefit, as discussed in the next section.

Estimating Your Retirement Benefit

Your benefit amount is based on your earnings averaged over most of your working career. Higher lifetime earnings result in higher benefits. If you have some years of no earnings or low earnings, your benefit amount may be lower than if you had worked steadily.

Your benefit amount also is affected by your age at the time you start receiving benefits. If you start your retirement benefits at age 62 (the earliest possible retirement age), your benefit will be lower than if you waited until a later age. This is explained in more detail below.

Each year, about three months before your birthday, you receive a Social Security Statement that provides you with a record of your earnings and estimates of your Social Security benefits for early retirement, full retirement, and retirement at age 70. It also provides an estimate of the disability benefits you could receive if you become severely disabled before you're eligible for full retirement, as well as estimates of the amount of benefits paid to your spouse and other eligible family members due to your retirement, disability, or death.

Full Retirement Age

The usual retirement age for people retiring now is age 65. Social Security calls this "full retirement age," and the benefit amount that is payable is considered the full retirement benefit. Because of longer life expectancies, the full retirement age is increasing gradually until it reaches age 67. This change starts in the year 2003, and it affects people born in 1938 and later. The table below will tell you your full retirement age.

Early Retirement

You can start your Social Security benefits as early as age 62, but the benefit amount you receive will be less than your full retirement benefit. If you take early retirement, your benefits will be permanently reduced based on the number of months you will receive checks before you reach full retirement age. If your full retirement age is 65, the reduction for starting your Social Security at age 62 is about 20 percent; at age 63, it is about 13-1/3 percent; and at age 64, it is about 6-2/3 percent.

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

If your full retirement age is older than 65 (that is, you were born after 1937), you still will be able to take your retirement benefits at age 62, but the reduction in your benefit amount will be greater than it is for people retiring now.

Here's how it works. If your full retirement age is 67, the reduction for starting your benefits at age 62 is about 30 percent; at age 63, it's about 25 percent; at age 64, about 20 percent; at age 65, about 13-1/3 percent; and at age 66, about 6-2/3 percent.

As a general rule, early retirement will give you about the same total Social Security benefits over your lifetime, but in smaller amounts to take into account the longer period you will receive them.

Some people stop working before they reach age 62. In that case, it's important to remember that during years with no earnings, you miss the opportunity to increase your benefit amount by replacing lower earnings years with higher earnings years.

Note: Sometimes poor health forces people to retire early. If you are unable to continue working because of poor health, you should consider applying for Social Security disability benefits. The amount of the disability benefit is the same as a full, unreduced retirement benefit. If you are receiving Social Security disability benefits when you reach full retirement age, those benefits will be converted to retirement benefits. For more information, call SSA to ask for a copy of the booklet, *Disability Benefits* (Publication No. 05-10029).

Delayed Retirement

Not everyone retires at full retirement age. You may decide to continue working full time beyond that time. In that case, you can increase your Social Security benefit in two ways. Each additional year you work adds another year of earnings to your Social Security record. Higher lifetime earnings may result in higher benefits when you retire.

In addition, your benefit will be increased by a certain percentage if you choose to delay receiving retirement benefits. These increases will be added in automatically from the time you reach your full retirement age until you start taking your benefits, or you reach age 70. The percentage varies depending on your year of birth. See the chart below for the increase that will apply to you.

For example, if you were born in 1943 or later, 8 percent per year (2/3 of 1 percent per month) is added to your benefit for each year you delay signing up for Social Security beyond your full retirement age.

Increases For Delayed Retirement

Year of Birth	Yearly Rate of Increase
1917-1924	3.0%
1925-1926	3.5%
1927-1928	4.0%
1929-1930	4.5%
1931-1932	5.0%
1933-1934	5.5%
1935-1936	6.0%
1937-1938	6.5%
1939-1940	7.0%
1941-1942	7.5%
1943 or later	8.0%
Note: If you decide to delay your retirement, **be sure to sign up for Medicare at age 65.** In some circumstances, medical insurance costs more if you delay applying for it. Other information about Medicare is below.	

Choosing Your Retirement Date

If you plan to start your retirement benefits after age 62, it is a good idea to contact Social Security in advance to see which month is best to claim benefits. In some cases, your choice of a retirement month could mean additional benefits for you and your family. It may be to your advantage to have your Social Security benefits start in January, even if you don't plan to retire until later in the year. Depending on your earnings and your benefit amount, it may be possible for you to start collecting benefits even though you continue to work. Under current rules, many people can receive the most benefits possible with an application that is effective in January.

If you are not working, or your annual earnings are under the earnings limits explained below, or you plan to start collecting your Social Security when you turn 62, you should apply for benefits three months before the date you want your benefits to start.

Because the rules are complicated, you should discuss your plans with a Social Security claims representative in the year before the year you plan to retire.

Retirement Benefits For Widow(er)s

Widow(er)s can begin receiving benefits at age 60, or at age 50 if disabled. If you are receiving widow's or widower's (including divorced widow's or widower's) benefits, you can switch to your own retirement benefits - assuming you're eligible and your retirement rate is higher than your widow(er)'s rate - as early as age 62. In many cases, a widow(er) can begin receiving one benefit at a reduced rate and then switch to the other benefit at an unreduced rate at full retirement age. The rules vary depending on the situation, so you should talk to a Social Security representative about the options available to you.

Family Benefits

If you're receiving retirement benefits, some members of your family also can receive benefits. Those who can include:

- your wife or husband age 62 or older;
- your wife or husband under age 62, if she or he is taking care of your child who is under age 16 or disabled;
- your former wife or husband age 62 or older;
- children up to age 18;
- children age 18-19, if they are full-time students through grade 12; and
- children over age 18, if they are disabled.

Spouse's Benefits

A spouse receives one-half of the retired worker's full benefit unless the spouse begins collecting benefits before reaching full retirement age. In that case, the amount of the spouse's benefit is permanently reduced by a percentage based on the number of months before she or he reaches 65. For example, if your spouse begins collecting benefits at 64, the benefit amount would be about 46 percent of your full benefit. At age 63, it would be about 42 percent and 37.5 percent at age 62. However, if your spouse is taking care of a child who is under age 16 or disabled and receiving Social Security benefits, your spouse gets full benefits, regardless of age.

If you're eligible for both your own retirement benefits and for benefits as a spouse, Social Security always pay your own benefit first. If your benefit as a spouse is higher than your retirement benefit, you'll get a combination of benefits equaling the higher spouse benefit.

Example:
Mary Ann qualifies for a retirement benefit of $250 and a wife's benefit of $400. At age 65, she will receive her own $250 retirement benefit and Social Security will add $150 from her wife's benefit, for a total of $400. If she takes her retirement benefit at any time before she turns 65, both amounts will be reduced.

Maximum Family Benefits
If you have children eligible for Social Security, each will receive up to one-half of your full benefit. But there is a limit to the amount of money that can be paid to a family. If the total benefits due your spouse and children exceed this limit, their benefits will be reduced proportionately. Your benefit will not be affected.

Benefits For A Divorced Spouse
A divorced spouse can get benefits on a former husband's or wife's Social Security record if the marriage lasted at least 10 years. The divorced spouse must be 62 or older and unmarried. If the spouse has been divorced at least two years, he or she can get benefits even if the worker is not retired. However, the worker must have enough credits to qualify for benefits and be age 62 or older. The amount of benefits a divorced spouse gets has no effect on the amount of benefits a current spouse can get.

Signing Up For Benefits
Call the Social Security Administration's toll-free number, **1-800-772-1213**, to apply for benefits or to make an appointment to visit any Social Security office to apply in person. Depending on your circumstances, you will need some or all of the documents listed below. But don't delay in applying for benefits because you don't have all the information. If you don't have a document you need, the SSA will help you get it.

Information Needed:

- Your Social Security number;
- Your birth certificate;
- Your W-2 forms or self-employment tax return for last year;
- Your military discharge papers if you had military service;
- Your spouse's birth certificate and Social Security number if he or she is applying for benefits;
- Children's birth certificates and Social Security numbers, if applying for children's benefits;
- Proof of U.S. citizenship or lawful alien status if you (or a spouse or child is applying for benefits) were not born in the U.S.; and
- The name of your bank and your account number so your benefits can be directly deposited into your account.

You will need to submit original documents or copies certified by the issuing office. You can mail or take them to Social Security. They will make photocopies and return your documents.

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 fact sheet, *The Appeals Process* (Publication No. 05-10041), which is available from Social Security. You also have the right to be represented by an attorney or other qualified person of your choice. More information is in the fact sheet, *Your Right to Representation* (Publication No. 05-10075), which also is available from Social Security.

If You Work And Get Social Security At The Same Time

You can continue to work and still receive retirement benefits. Your earnings in (or after) the month you reach your full retirement age will not affect 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 – age 65 for persons born before 1938 and gradually increasing to age 67 for persons born in 1960 or later.

Here's how it works:
If you're under 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. Then, your earnings will no longer affect the amount of your monthly benefits, no matter how much you earn. These limits increase each year as average wages increase. For the current amounts, contact the Social Security Administration to ask for the fact sheet, *Updates* (Publication No. 05-10003).

If other family members receive benefits on your Social Security record, the total family benefits will be affected by your earnings. This means Social Security will offset not only your benefits, but those payable to your family as well. If a family member works, however, the family member's earnings affect only his or her benefits.

If, during the year, your earnings are higher or lower than you estimated, let Social Security know as soon as possible so they can adjust your benefits.

Special Monthly Rule

A special rule applies to your earnings for one year, usually your first year of retirement. Under this rule, you can receive a full Social Security check for any month you are "retired," regardless of your yearly earnings. Your earnings must be under a monthly limit. If you're self-employed, the services you perform in your business are taken into consideration as well.

If you want more information on how earnings affect your retirement benefit, call the SSA to ask for a copy of the leaflet, *How Work Affects Your Benefits* (Publication No. 05-10069). This leaflet has the figures for the current annual and monthly earnings limits.

Taxability Of Benefits
About 20 percent of people who get Social Security have to pay taxes on their benefits. This provision affects only people who have substantial income in addition to their Social Security.

At the end of each year, you will receive a *Social Security Benefit Statement* in the mail showing the amount of benefits you received. You can use this statement when you are completing your federal income tax return to find out if any of your benefits are subject to tax. Although you're not required to have federal taxes withheld, you may find it easier than paying quarterly estimated tax payments.

To have federal taxes withheld, you'll need a form W-4V from the Internal Revenue Service (IRS). You can get this form by calling the IRS toll-free number, 1-800-829-3676, or by visiting SSA's web site at http://www.ssa.gov. After completing and signing the form, return it to your local Social Security office by mail or in person. To get the address of your local Social Security office, call **1-800-772-1213**. Any time you want to make a change (or stop the withholding), complete the W-4V and send it to Social Security.

For more information, call the IRS toll-free telephone number, 1-800-829-3676, to ask for Publication 554, *Tax Information for Older Americans*, and Publication 915, *Social Security Benefits and Equivalent Railroad Retirement Benefits*.

Pensions From Work Not Covered By Social Security
If you get a pension from work where you paid Social Security taxes, it will not affect your Social Security benefits. However, if you get a pension from work that was not covered by Social Security - for example, the federal civil service, some state or local government employment, or work in a foreign country - your Social Security benefit may be lowered or offset, as discussed below.

Leaving The United States
If you are a U.S. citizen, you can travel or live in most foreign countries without affecting your eligibility for Social Security benefits. However, there are a few countries - Cambodia, Cuba, North Korea, Vietnam and many of the former U.S.S.R. republics (except Estonia, Latvia, Lithuania and Russia) - where Social Security checks cannot be sent. If you work outside the United States, different rules apply in determining if you can get your benefit checks. Most people who are neither U.S. residents nor U.S. citizens will have 25.5 percent of their benefits withheld for federal income tax.

For more information, call the SSA to ask for a copy of the booklet, *Your Social Security Payments While You Are Outside The United States* (Publication No. 05-10137).

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 figured if you receive a pension from work not covered by Social Security. The formula used to figure your benefit amount is modified, giving you a lower Social Security benefit. This section explains the Windfall Elimination Provision formula.

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.

The modified formula applies to you if you reach 62 or become disabled after 1985 and first become eligible after 1985 for a monthly pension based in whole or in part on work where you did not pay Social Security taxes. You're considered eligible for a pension if you meet the pension requirements, even if you continue to work.

Note: The windfall elimination provision affects Social Security benefits when any part of a person's federal service after 1956 is covered only under Civil Service Retirement System (CSRS) deductions. However, federal service where Social Security taxes are withheld (Federal Employee Retirement System or CSRS Offset) do not reduce Social Security benefit amounts.

The modified formula is used to figure your Social Security benefit beginning with the first month you get both a Social Security benefit and the other pension.

The modified formula prevents a windfall to people who would unfairly benefit from provisions aimed at low-income workers. Social Security benefits replace a percentage of a worker's pre-retirement earnings and the benefit computation formula includes factors that make sure 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 60 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 higher percentage benefits in addition to their other pension. The modified formula eliminates this windfall.

How The Windfall Elimination Provision Works
Social Security benefits are based on the worker's average monthly earnings adjusted for inflation. The Social Security Administration separates your average earnings into three amounts and multiplies the amounts using three factors. For example, for a worker who turns 62 in 2003, the first $606 of average monthly earnings is multiplied by 90 percent; the next $3,046 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 become 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 table below 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. The second table below shows the percentage used depending on the number of years of "substantial" earnings.

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
* Credited earnings from 1937-50 are divided by $900 to get the number of years of coverage (maximum 14 years).	

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

Some Exceptions

The modified formula does not apply to survivors benefits. It also does not apply to you if:

- you are a federal worker first hired after December 31, 1983;
- you were employed on December 31, 1983 by a nonprofit organization that was exempt from Social Security and it became mandatorily covered under Social Security on that date;
- your only pension is based on railroad employment;
- your only work where you did not pay Social Security taxes was before 1957; or
- you have 30 or more years of substantial earnings under Social Security.

Workers with relatively low pensions are protected because the reduction in the Social Security benefit under the modified formula cannot be more than one-half of that part of the pension attributable to earnings after 1956 not covered by Social Security.

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.

14

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
The Balanced Budget Act of 1997 (P.L.105-33) expanded Medicare's health plan options with the creation of Medicare+Choice. Beginning in 1999, Medicare beneficiaries may remain in Original Medicare or choose to get their Medicare benefits from an array of Medicare+Choice managed care plan options. Depending on where you live, your options may include Medicare managed care plans such as Medicare Health Maintenance Organizations (HMOs) or Preferred Provider Organizations (PPOs). Future Medicare+ Choice options can include private fee-for-service plans (PFFS) and Medical Savings Accounts (MSAs).

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 managed care plan. If you are a CSRS or FERS annuitant, you should call OPM's Retirement Information Office at 1-88USOPMRET (1-888-767-6738) or (202) 606-0500 from the metropolitan Washington area. Alternatively, 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
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. There are some advantages to enrolling in Part B:

- You must be enrolled in Parts A and B to join a Medicare+Choice plan.
- You have the advantage of coordination of benefits 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).

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 or 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

Changing FEHB Enrollment When Eligible for Medicare

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.

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.

Medicare Managed Care Plans And FEHB Coverage

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.

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

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.

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 pays 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.

15

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.

FERCCA may help you, depending on what your retirement coverage error was and how long you were in the wrong retirement plan. FERCCA may provide you one or all of the following:

- You may have an opportunity to choose another retirement plan;
- You may be reimbursed for certain out-of-pocket expenses you paid as a result of a coverage error;
- You may benefit from certain changes in the rules about how some of your Government service counts toward retirement; and
- You may be able to make-up contributions to the Thrift Savings Plan and get lost earnings on those contributions as well.

While agencies have discovered and corrected many retirement coverage errors, some employees still are in the wrong retirement plan. If you have not worked for the Federal government continuously since 1983, or you have had changes in appointment types and retirement plans, then you may want to ask your agency to review your retirement coverage to ensure that it is correct.

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).

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.

If You Think You May Be In The Wrong Retirement Plan

If you are concerned that you are in the wrong retirement plan and you currently work for the federal government, you should contact your Human Resources office for help. Your agency has all of your employment records and can verify whether your retirement coverage is correct. Do not contact OPM since they normally do not receive your employment records until you separate from the government.

If you are a separated employee, retiree, or survivor of an employee who was in the wrong retirement plan, contact OPM by calling 1-888-767-6738.

Further Information

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

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 (Monday through Friday, 8 am - 6 pm, EST). Remember that the FERCCA Hotline is for FERCCA specific questions and not a general retirement information number.

WRIGHT & CO.

Active or Retired Federal Employee Benefits

As you look towards retirement or are enjoying retirement, understand the following benefits are available to you:

Long Term Care

A multipurpose protection program

We can help take the confusion and misinformation out of your search to understand "what if" and "do I need" Long Term Care Insurance. Let us help you understand:

- Who pays for Long Term Care Insurance?
- What is Medicare all about?
- What is Medicare Supplement Insurance?
- What are the state laws on Medicaid?
- Is Long Term Care right for you?

REMEMBER – THE OPM WEBSITE ADVISES YOU TO SHOP AROUND. WRIGHT & CO. WILL DO THE SHOPPING FOR YOU!

Personal Umbrella Liability Insurance

Protect your assets and the financial security of your family

Our unique Personal Umbrella Liability Plan supplements current liability limits on your existing auto, homeowners and recreational equipment insurance.

The limits of coverage are $1 million, $3 million or $5 million. The coverage protects you anywhere in the world. The cost of your full legal defense is also provided. Claims brought against you or your family are covered for any unforeseen or uncovered loss where there is no primary insurance required (subject to a $500 deductible). Boats, rental properties and personal injury are covered. An uninsured motorist endorsement is also available.

Wright & Co.
Personal Umbrella Liability Insurance Rates

Choose the level of coverage that suits your needs	Annual Premium	Quarterly Premium
$5,000,000	$ 446.00	$ 111.50
3,000,000	318.00	79.50
1,000,000	192.00	48.00

Uninsured Motorist Endorsement is only $125 more. Payroll allotment is not available.

For more information… Go to www.wrightandco.com or contact us directly at 1-800-424-9801 / 202-289-0200.

WRIGHT & CO.

Active or Retired Federal Employee Benefits (continued)

Life Insurance Coverage

Plan now for your family's continuing security

Life insurance is always a concern but is not usually made understandable. Wright & Co. and our Regional Representatives will help make it understandable. We will talk with you about the differences of Permanent and Term insurance coverage. We will help you plan your benefits to fit your budget.

CIGNA Dental Care

To help reduce the high cost of going to the dentist

Our CIGNA Dental Care provides economical group dental coverage for you and your family. There is no additional charge for checkups including exams, routine cleanings and x-rays. Many other procedures are also fully covered. More complicated procedures are performed at a substantially lower cost than you would normally pay with other plans. We offer two Dental Care plans - Premier and Economy - to meet your needs and budget. The premier plan is more comprehensive with higher premiums while economy is less extensive with lower rates.

Dental Care Rates*

	Quarterly		Bi-Weekly Payroll Allotment**	
	Premier	Economy	Premier	Economy
Employee Only	$ 86.82	$ 50.85	$ 13.36	$ 7.82
Employee and Spouse	149.58	80.79	23.02	12.43
Employee and Child(ren)	155.94	84.06	23.99	12.93
Employee and Full Family	234.63	121.41	36.10	18.68

Dependents can be covered up to age 19 (age 23 if full-time student).
Handicapped dependents can be covered as long as your plan is in effect.
**These rates include a $26.00 annual administrative fee.*
***Bi-Weekly Allotments are rounded up to the nearest dollar.*

For more information… Go to www.wrightandco.com or contact us directly at 1-800-424-9801 / 202-289-0200.

WRIGHT & CO.

Active Federal Employee Benefits

Professional Liability Insurance

Protecting your career, reputation, character and assets

As an active federal employee, our plan picks up the full cost of your legal defense and pays covered damages awarded against you (up to the selected policy limit), *even if the Justice Department refuses to defend you*.

Wright & Co. offers an exclusive Professional Liability Insurance plan, which was designed specifically to protect federal employees. You are protected anywhere in the world against losses from lawsuits stemming from the performance of your official federal duties. This plan pays your defense costs even against groundless or fraudulent suits. These are in addition to your liability limit and are without limitation. There is no deductible and, where allowed by state law, pays punitive damages up to your coverage limit.

The Federal Government does not guarantee you coverage or even an attorney in the event that you are sued.

You are at risk when you are acting within the scope of your job; including delegating assignments, evaluations, working at your desk or meeting with the public. Away from your desk, you could be exposed to an even greater risk of lawsuits from private citizens. Frivolous or not, this could cost you thousands of dollars.

The Federal Tort Claims Act states that the government can choose whether or not to defend you and cannot cover any monetary damages levied against you personally.

Agencies reimburse up to 50%

Wright & Co.
Professional Liability Insurance Rates*

	Annual Payment	Bi-Weekly Payroll Allotment**
$1 million	$292.00	$11.23
$500,000	229.00	8.81

**These rates include a $26 annual administrative fee.*
***Wright & Co. policy requires that allotments be whole dollars.*
The additional pennies are used to purchase AD&D coverage.

Wright & Co.'s Professional Liability Plan…
Don't Go To Work Without It!

For more information… Go to www.wrightandco.com or contact us directly at 1-800-424-9801 / 202-289-0200.

WRIGHT & CO.

Active Federal Employee Benefits (continued)

Long Term Disability Insurance

When working for an income is no longer an option

Your ability to earn an income is your single greatest asset. What would you do if you suddenly became seriously ill or injured and could no longer work? How would you pay your bills?

Consider the impact of the following scenarios…

A federal employee became totally disabled because of a work-related injury. Worker's Compensation did not approve or pay benefits for over three years. This employee stated that he and his wife would have lost their home without Wright & Co.'s LTD income benefits.

A federal employee died after a long bout with cancer. His children were able to continue their college education with the help of the Survivor's Benefit they received under his Wright & Co. LTD coverage.

You may now want to consider…

Wright & Co.'s Long Term Disability Income Insurance

Our Long Term Disability Income program was designed specifically for federal employees. It provides insurance protection in three special ways:

1. Monthly Disability Income Replacement
2. Hospital Income Benefits
3. Supplemental Pension Benefit

Long Term Disability Insurance Rates Per $10,000

	Quarterly	Bi-Weekly Payroll Allotment*
Member (under age 50)	$ 25.00	$ 3.846
Member (age 50 or older)	30.00	4.615
Spouse**	6.41	0.986
Each Child+**	1.84	0.283

Coverage is based on member's insured salary rounded to the next highest $1,000 not to exceed $126,000 annually.
**Bi-Weekly Allotments are rounded up to the nearest dollar.*
***Dependents only receive Hospital Income Benefits.*
+CSRS rates apply to each child. FERS rates apply for all children.

For more information… Go to www.wrightandco.com or contact us directly at 1-800-424-9801 / 202-289-0200.

WRIGHT & CO.

WRIGHT & CO.

1400 Eye Street, N.W., Suite 1100, Washington, DC 20005-2285
1-800-424-9801 – 202-289-0200 – www.wrightandco.com

How Do I Enroll for One of Wright & Co.'s Plans?

Simply go to our website at www.wrightandco.com, download the application and mail your application and payment to the address shown below. Or, call us directly at (800) 424-9801 and locally at (202) 289-0200.

For more information on any of the products listed below, simply check next to the product you are interested in and mail or fax to:

Wright & Co.
1400 Eye Street, N.W.
Suite 1100
Washington, DC 20005-2285
Fax (202) 289-1399

Name: ____
Address: ____
____
Home Telephone: ____
Agency: ____
Work Telephone: ____
Email: ____
Date of Birth: ____

____ **Professional Liability Insurance**
____ **Dental Insurance**
____ **Long Term Care**
____ **Personal Umbrella Liability Insurance**
____ **Long Term Disability Insurance**
____ **Accidental Death & Dismemberment Insurance**
____ **Term Life Insurance**
____ **Thrift Plan Strategy**
____ **CSRS/FERS Retirement Planning**
____ **Annuities**
____ **Permanent Life Insurance**
____ **Financial Planning Seminars**
____ **Accident Indemnity Insurance**

Appendix A - Online Retirement Calculators

Federal Employees Retirement Calculator – This calculator computes an estimate of your CSRS, CSRS Offset and FERS retirement benefits - normal, early or disability - as well as an estimate of your future TSP savings and Social Security benefits. It is designed for nearly all federal employees, including law enforcement officers, firefighters, air traffic controllers, and those under the Congressional retirement rules. The Foreign Service is currently excluded from this calculator. Click on http://www.seniors.gov/fedcalc.html for the calculator. **(Note: If the link for this – or any of the other calculators identified below - is inoperable, you can copy and paste the link into your Internet browser address window to reach the web site.)**

Calculator For CSRS Retirement – This calculator is valid only for those who have all service under the Civil Service Retirement System. If you have any FERS service, don't use this calculator because the resulting information will not be accurate. Click on http://www.finance.gsa.gov/csrs/.

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

Additional Private Online Calculators:

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

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

Kiplinger.com "How Much Do I Need to Save for Retirement?"
http://www.kiplinger.com/tools/retcalc2.html

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

MSN Retirement Income Calculator:
http://retireplan.about.com/gi/dynamic/offsite.htm?site=http://moneycentral.msn.com/articles/retire/create/tlincclc.asp

Quicken.com Retirement Planner:
http://www.quicken.com/retirement/planner/

Schwab's Retirement Planner:
http://www.schwab.com/SchwabNOW/navigation/mainFrameSet/0,4528,739,00.html

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. Interest rates through 200 are:

Before 1948	4%	1991	8.625%	1999	5.75%
1948-1984	3%	1992	8.125%	2000	5.875%
1985	13%	1993	7.125%	2001	6.375%
1986	11.125%	1994	6.250%	2002	5.5%
1987	9%	1995	7%	2003	5%
1988	8.375%	1996	6.875%		
1989	9.125%	1997	6.875%		
1990	8.750%	1998	6.75 %		

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 - January 2003 Cost-of-Living Adjustment

Retired Federal employees and entitled surviving family members of deceased Federal employees and retirees will receive a cost-of-living increase effective December 1, 2002, which will first be reflected in the benefit payable January 2, 2003.

Under the Civil Service Retirement System (CSRS), Organization Retirement and Disability System (ORDS), Federal Employees Retirement System (FERS), and FERS Special, the cost-of-living increase will be 1.4 percent for those who have received benefits for at least one year. The 1.4 percent increase was determined by computing the percentage increase in the Consumer Price Index (CPI) for urban wage earners and clerical workers from the third quarter average of 2001 to the third quarter average of 2002, as provided by the U.S. Department of Labor, Bureau of Labor Statistics.

Under the Federal Employees Retirement System (FERS) and FERS Special, adjustments are not provided until age 62, except for disability benefits, survivor benefits, and for individuals who retired under the special provisions for law enforcement officers, firefighters, air traffic controllers, and military reserve technicians. FERS disability retirees get the adjustment, except when they are receiving a disability annuity based on 60% of their "high-three" average salary.

To get the full COLA, a retiree or survivor annuity must have begun no later than December 31, 2001. If not, the increase is prorated under both plans. Pro-rated accounts receive one-twelfth of the increase for each month they received benefits. For example, if the benefit commenced November 30, 2002, the prorated COLA would be one-twelfth of the full COLA.

Under all of the plans, benefits are paid on the first business day of the month after the month in which they accrue. Benefits which accrue in December 2002 are payable on January 2, 2003.

Note: A benefit will not be increased if it would cause the annuitant to receive payments in excess of any cap amount specified by law.

The table below shows the prorated percentages that apply according to the month in which the annuity began. Everyone who is eligible for an adjustment will receive an increase of at least $1.

Cost-of-Living Adjustments Amounts by Month Annuity Began

Month Annuity Began	Amount of Percentage Increase
December 2001 or earlier	1.4
January 2002	1.3
February 2002	1.2

March 2002	1.1
April 2002	0.9
May 2002	0.8
June 2002	0.7
July 2002	0.6
August 2002	0.5
September 2002	0.4
October 2002	0.2
November 2002	0.1

Appendix D - Calculate the 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 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

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

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.

How to Start, Change, or Stop Your Monthly Federal Income Tax Withholding
Use OPM's Services Online at http://www.servicesonline.opm.gov/mainris.htm to change your federal or state income tax withholdings.

Appendix E - Additional Resources

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

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

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

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

FirstGov For Seniors – http://www.seniors.gov

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.nih.gov/nia

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

Note: If the links are inoperable when you click on them, you can copy and paste the link into your Internet browser address window to reach the web site.

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.

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