

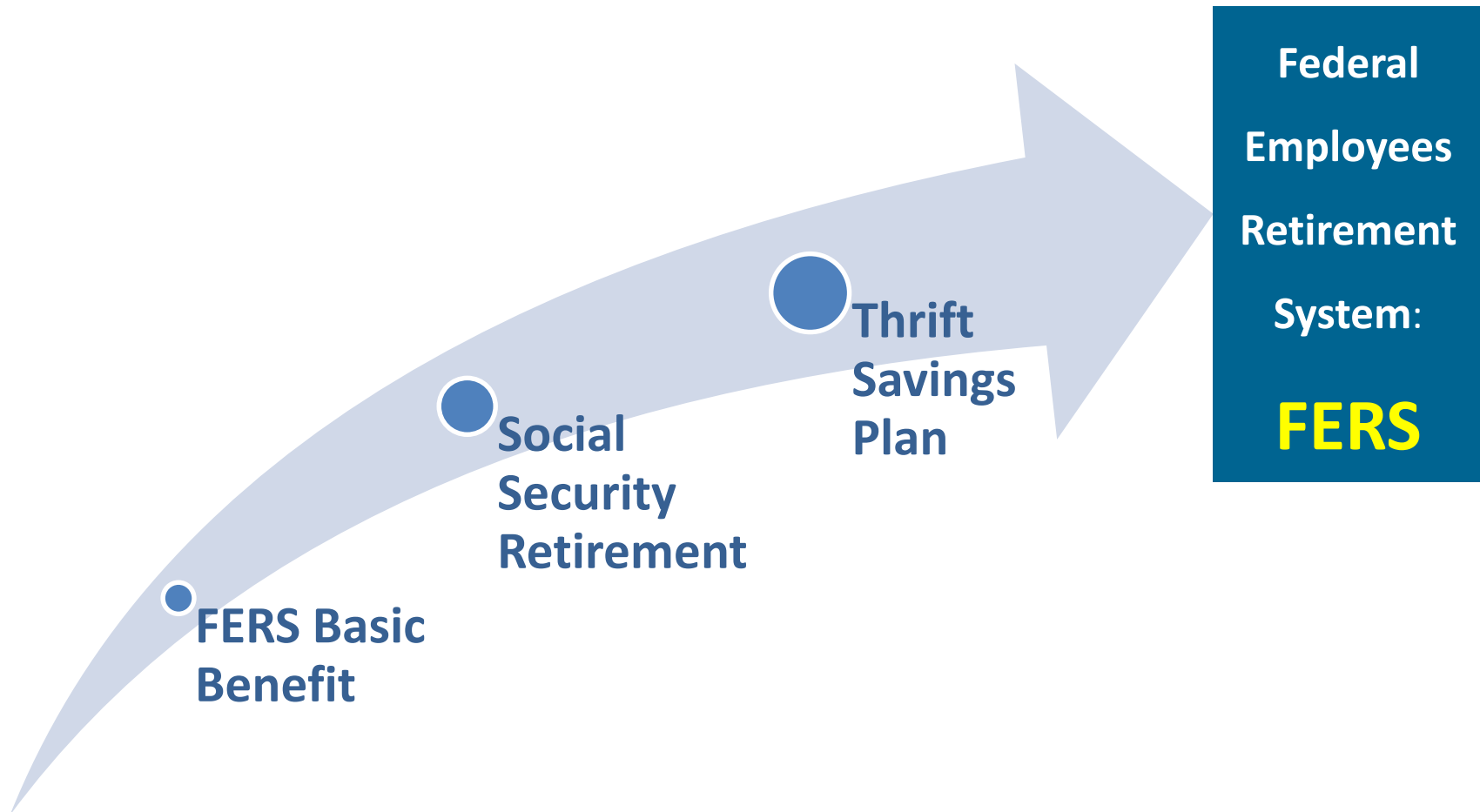


Understanding the FERS Basic Benefit

A NARFE Federal Benefits Institute Webinar

Presented by
Tammy Flanagan
Federal Retirement Benefits Expert

FERS Basic Benefit and “FERS”



Understanding Your Government Pension



- pen·sion¹
 - /'penSHən/
 - *noun*
1. a regular payment made during a person's retirement from an investment fund to which that person or their employer has contributed during their working life.
 2. Also known as FERS Basic Benefit, FERS Annuity, FERS Retirement Benefit



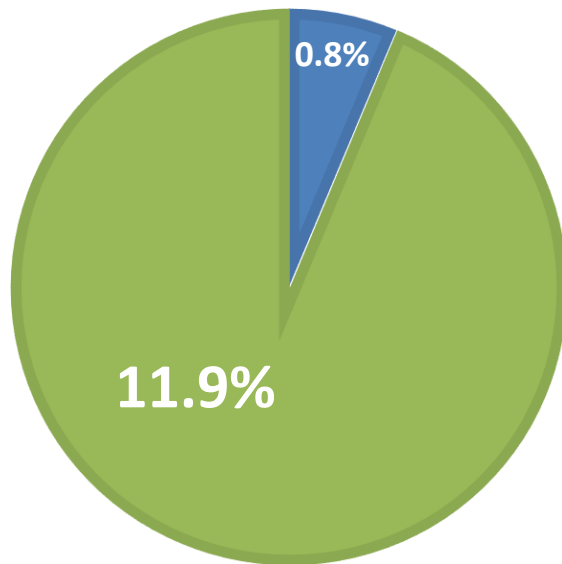
Contributions to the FERS Basic Benefit



Normal Cost Percentages for a “regular” FERS employee is 12.7% of basic pay.

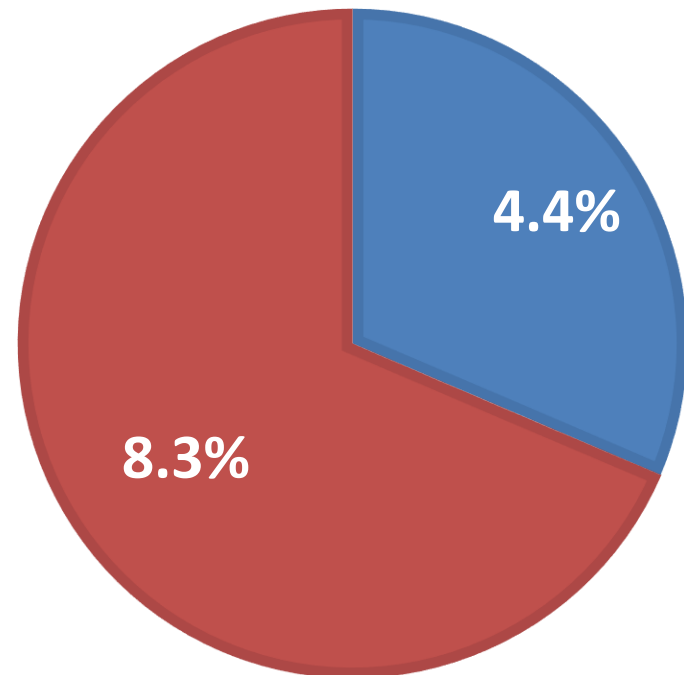
FERS CONTRIBUTIONS

■ Employee (FERS) ■ Agency



FERS FRAE CONTRIBUTIONS

■ Employee (FERS) ■ Agency



What You Will Learn Today



When will I be eligible to retire?

How is my retirement computed?

- Understanding creditable service
- Learning how the high-3 average salary is determined

The formula to determine the unreduced basic benefit

Potential reductions

Possible withholdings



Eligibility: Immediate Retirement



Eligibility Information	
Age	Years of Service
62	5
60	20
MRA	30
MRA	10*

***Benefit is reduced by 5% / year you are under 62**



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 1953-1964	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



Examples



Length of service	Current Age	First Eligibility for unreduced immediate retirement	Reduced benefit payable at MRA?
5	28		



Examples



Length of service	Current Age	First Eligibility for unreduced immediate retirement	Reduced benefit payable at MRA?
5	28	MRA	NO

$$\text{MRA} = 57$$

$$57 - 28 = \mathbf{29 \text{ years to retirement}}$$

$$5 \text{ years} + 29 = \mathbf{34 \text{ years of service at MRA}}$$



Examples



Length of service	Current Age	First Eligibility for unreduced immediate retirement	Reduced benefit payable at MRA?
15	45		



Examples



Length of service	Current Age	First Eligibility for unreduced immediate retirement	Reduced benefit payable at MRA?
15	45	60	YES

MRA = 57

$57 - 45 = 12$ **years to MRA**

$15 \text{ years} + 12 = 27$ **years of service at MRA**

Reduced retirement at MRA or unreduced at age 60 with 20 years



Examples



Length of service	Current Age	First Eligibility for unreduced immediate retirement	Reduced benefit payable at MRA?
15	58		



Examples



Length of service	Current Age	First Eligibility for unreduced immediate retirement	Reduced benefit payable at MRA?
15	58	62	YES

$$62 - 58 = 4 \text{ years to } 62$$

$$15 \text{ years} + 4 = 19 \text{ years of service at age } 62$$

Why would this employee want to stay a little longer to have 20 years of service?



Examples



Length of service	Current Age	First Eligibility for unreduced immediate retirement	Reduced benefit payable at MRA?
35	57	NOW	NO



Other types of retirement



Early Retirement

- VERA/VSIP
- Discontinued Service Retirement

Disability Retirement

- Based on medical condition
- Must apply for Social Security disability

Deferred Retirement

- Based on service and salary at separation
- Cannot reinstate insurance

Special Coverage Employees

- Such as law enforcement officers, firefighters



SF-50 Notification of Personnel Action



Standard Form 50
Rev. 7/91
U.S. Office of Personnel Management
FPM Supp. 296-33, Subch. 4

NOTIFICATION OF PERSONNEL ACTION

1. Name (Last, First, Middle)				2. Social Security Number		3. Date of Birth		4. Effective Date				
FIRST ACTION				SECOND ACTION								
b-A. Code				b-B. Nature of Action								
5-C. Code				5-D. Legal Authority								
5-E. Code				5-F. Legal Authority								
7. FROM: Position Title and Number				15. TO: Position Title and Number								
8. Pay Plan		9. Occ. Code	10. Grade or Level	11. Step or Rate	12. Total Salary	13. Pay Basis	16. Pay Plan	17. Occ. Code	18. Grade or Level	19. Step or Rate	20. Total Salary/Award	21. Pay Basis
12A. Basic Pay		12B. Locality Adj.	12C. Adj. Basic Pay	12D. Other Pay	20A. Basic Pay		20B. Locality Adj.	20C. Adj. Basic Pay	20D. Other Pay			
14. Name and Location of Position's Organization						22. Name and Location of Position's Organization						
EMPLOYEE DATA												
23. Veterans Preference				24. Tenure				25. Agency Use		26. Veterans Pref for RIF		
1 - None	3 - 10-Point/Disability	5 - 10-Point/Other	2 - 5-Point	4 - 10-Point/Compensable	6 - 10-Point/Compensable/30%	0 - None	2 - Conditional	1 - Permanent	3 - Indefinite	YES	NO	
27. FEGLI				28. Annuitant Indicator				29. Pay Rate Determinant				
30. Retirement Plan				31. Service Comp. Date (Leave)		32. Work Schedule		33. Part-Time Hours Per Biweekly Pay Period				
POSITION DATA												
34. Position Occupied				35. FLSA Category				36. Appropriation Code		37. Bargaining Unit Status		
1 - Competitive Service	3 - SES General	E - Exempt	2 - Excepted Service	4 - SES Career	N - Nonexempt							
38. Duty Station Code				39. Duty Station (City - County - State or Overseas Location)								
40. AGENCY DATA		41.	42.	43.	44.							
45. Remarks												

Effective Date

Retirement Plan

Work Schedule



Work Schedule



Work Schedule	Eligibility	Computation
Full Time	Full-time credit	Full-time credit
Part Time	Full-time credit	Pro-rated based on total time worked
Intermittent / When Actually Employed (WAE)	Days / Hours worked credited	Days / Hours worked credited
Leave Without Pay (LWOP)	Up to 6 months	Up to 6 months



Retirement Service Computation Date



Computed at retirement or when estimate is prepared

- It is important to discuss with a retirement specialist

Affected by unpaid deposits / redeposits

- Refunded contributions
- Service that wasn't covered by FERS contributions

Service creditable for leave is not always creditable for retirement



Deposit for Civilian Service



Service ending before 1/1/89

- Retirement deductions not withheld
- Pay 1.3% plus interest
- SF 3108 – Application to Make Service Credit Deposit

Service ending on or after 1/1/89

- Service is not creditable
- Peace Corps / Vista Volunteer is an exception



Deposit for Refunded Service



- Retirement deductions were withheld and refunded
- SF 3108
- Interest due (2.25% in 2020)

1936

DATE

PAY TO THE ORDER OF \$

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Security Feature Details on back

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Deposit for Military Service



Active Duty terminated under honorable conditions

Creditable with a deposit (payment of 3% of military base pay)

Interest accrues after second anniversary of civilian service or discharge from military service (2.25% in 2020)



Determine Your Length of Service



		Year	Month	Day
Retirement date		2020	12	31
Service computation date	-	1990	6	15
Total service on retirement		30	6	16



Add on your unused sick leave

<https://www.opm.gov/retirement-services/>



Table for Converting Unused Sick Leave Into Additional Service						
<i>Months</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
0	0	174	348	522	696	870
1	6	180	354	528	702	875
2	12	186	360	533	707	881
3	17	191	365	539	713	887
4	23	197	371	545	719	893
5	29	203	377	551	725	899
6	35	209	383	557	731	904
7	41	215	388	562	736	910
8	46	220	394	568	742	916
9	52	226	400	574	748	922
10	58	232	406	580	754	928

Retirement
and Insurance
Publications
Retirement
Facts #8
(CSRS)

Note:
2,087 hours
= 1 year



Credit for Unused Sick Leave

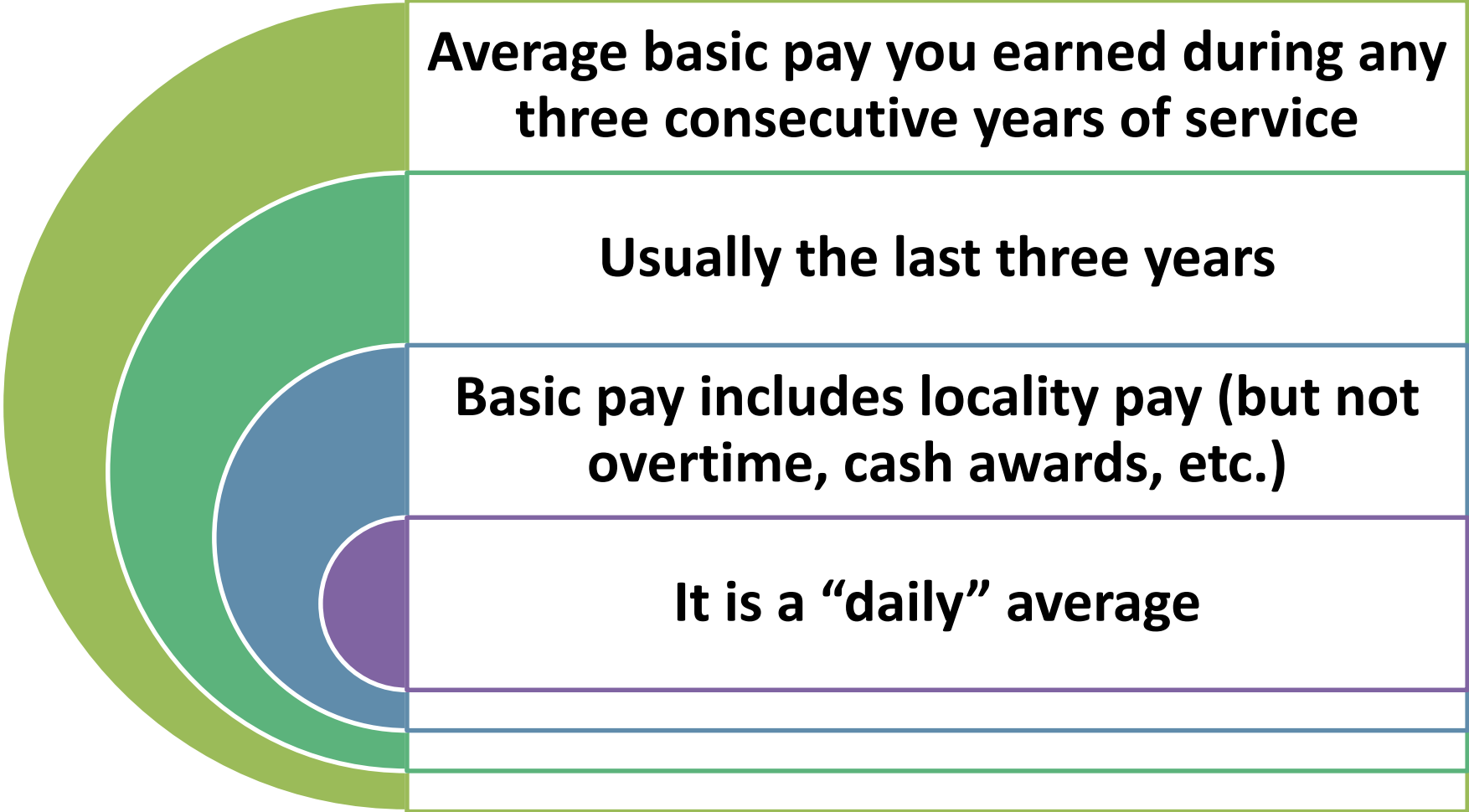


		Year	Month	Day
Retirement date		2020	12	31
Service computation date	-	1990	6	15
Total service on retirement		30	6	16
Unused sick leave: 728 hours	+		4	6
Total service for computation		30	10	22

22 days of “leftover” service = $22 \times 5.8 = 127.6$ hours
(sick leave that won’t affect retirement date)



High-3 Average Salary



Average basic pay you earned during any three consecutive years of service

Usually the last three years

Basic pay includes locality pay (but not overtime, cash awards, etc.)

It is a “daily” average



Example of computation of High-3



Beginning Date	Ending Date	Total Time (Yrs/Mos/Days)	Time Factor	Annual Rate	Total Basic Pay
8/1/2017	1/6/2018	0 – 5 – 6	.433	\$84,243	\$36,477.21
1/7/2018	1/5/2019	0 – 11 – 29	.997	\$86,182	\$85,923.45
1/6/2019	7/5/2019	0 – 6 - 0	.500	\$88,141	\$44,070.50
7/6/2019	1/4/2020	0 – 5 – 29	.497	\$90,461	\$44,959.11
1/5/2020	7/31/2020	0 – 6 – 26	.572	\$92,441	\$52,876.25
Total Basic Pay					\$264,306.54
High-3 Average Salary = Total Basic Pay / 3 years =					\$88,102.18



Calculation of the FERS Basic Benefit



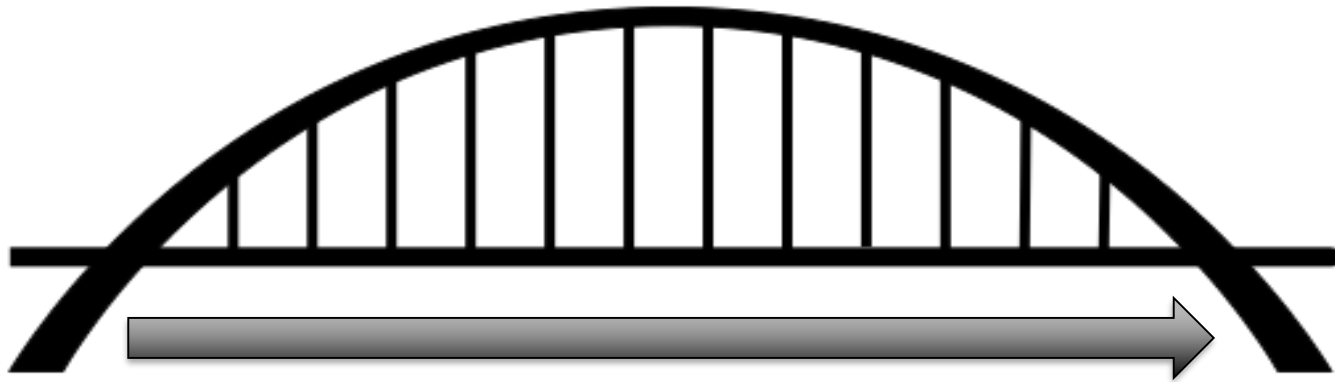
1.0% or 1.1%*	X	High-3	X	Length of Service	=	Unreduced FERS Basic Benefit Annual / 12 = Monthly
30 years and 10 months of service / retire at MRA:						
1.0%	X	\$88,102.18	X	30.8333	=	\$27,164.80 / 12 = \$2,263.73
30 years and 10 months of service / retire at age 62						
1.1%	X	\$88,102.18	X	30.8333	=	\$29,880.99 / 12 = \$2,490.08

*1.0% factor for FERS “regular” retirement computation

1.1% factor for FERS “regular” retirement computation when age 62 with 20 or more years of service



The FERS Supplement



FERS RetirementQualify for Social Security Retirement



Computing the FERS Supplement



Social Security at age 62*	X	Years of civilian service under FERS	/	40	=	Approximate FERS Supplement
\$1,800	X	(30	/	40)	=	\$1,350 / month

Social Security Statements* are mailed to workers age 60 and over who aren't receiving Social Security benefits and do not yet have a **my Social Security account.

Set up a **my Social Security** account at www.ssa.gov



How long does the supplement last?



Eligibility for the annuity supplement generally continues until age 62.

It is reduced if you earn more than the Social Security exempt amount of earnings in the immediately preceding year.

- The supplement is reduced by \$1 for every \$2 of earnings over the minimum level
- For 2020, the earnings limit is \$18,240



What can reduce my retirement benefit?



Part-time work
schedule

MRA + 10 age
reduction

Survivor
election

Former spouse
apportionment
and/or survivor
benefit





Taxes

- Federal Income Tax
- State Income Tax depending on the state

Insurance

- FEHB
- FEGLI
- FEDVIP
- FLTCIP

Net income



FERS Basic Benefit

+

Social Security Retirement

+

Thrift Savings Plan

=

FERS Retirement



Thank You!

A NARFE Federal Benefits Institute Webinar
Presented by Tammy Flanagan

Still have questions?

fedbenefits@narfe.org

1-800-456-8410 Option 2

