

1  **Federal Employees Retirement System (FERS) Overview**

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3  **Agenda**

- Retirement Systems
- FERS Coverage Determinations
- Types of Retirements
- Age and Service Requirements
- Creditable Service
- FERS Annuity Computation
- Retirement Basics
- Cost of Living Adjustments (COLAs)
- Returning to Federal Government After Retirement

4  **Retirement Systems and Coverage**

5  **Retirement Systems**

- Civil Service Retirement System (CSRS)
- CSRS Offset (CSRS and FICA coverage)
- Federal Employees Retirement System (FERS)
- Federal Employees Retirement System – Revised Annuity Employees (FERS-RAE)
- Federal Employees Retirement System – Further Revised Annuity Employees (FERS-FRAE)

6  **Federal Employees Retirement Systems (FERS)**

- FERS was created by Congress effective January 1, 1987
- Automatic FERS coverage for new and certain rehired employees appointed after December 31, 1983
- Employees pay into FERS (0.8%) and Social Security (6.2%)
- FERS program has three (3) sources of retirement income:
  - FERS Basic Benefit
  - Social Security
  - Thrift Savings Plan (TSP)

7  **Federal Employees Retirement System – Revised Annuity Employees (FERS-RAE)**

- Section 5001 of the “Middle Class Tax Relief and Job Creation Act of 2012” established FERS-RAE
- Employees appointed between January 1, 2013 and December 31, 2013 became subject to FERS-RAE coverage unless they met any of the exception criteria
- FERS-RAE resulted in a higher contribution rate of 3.1%
- No change in FERS annuity computation formula

8  **Federal Employees Retirement System – Further Revised Annuity Employees (FERS-FRAE)**

- Section 401 of the “Bipartisan Budget Act of 2013” made an additional change to FERS and established FERS-FRAE
- Employees appointed on or after January 1, 2014 are subject to FERS-FRAE coverage unless they meet any of the exception criteria

- FERS-FRAE resulted in an even higher contribution rate of 4.4%
- No change in FERS annuity computation formula

9  **FERS Enhanced Retirement Deductions**

- FERS-RAE and FERS-FRAE covered employees will have their retirement benefits computed the same as a regular FERS employee
- New Members of Congress and Congressional employees are:
  - Subject to the higher FERS-RAE and FERS-FRAE contribution rate unless they meet any of the exception criteria, and
  - Their annuity benefits will be computed under the regular FERS employee formula

10  **FERS-RAE Exceptions**

- An individual appointed between January 1, 2013 and December 31, 2013 will be subject to automatic FERS-RAE coverage unless any of the following exceptions apply:
  - On December 31, 2012, the individual was covered under FERS,
  - On December 31, 2012, the individual was performing civilian service which is creditable or potentially creditable service under FERS, or
  - As of December 31, 2012, the individual had performed at least five (5) years of civilian service creditable or potentially creditable under FERS, including service subject to CSRS or CSRS Offset

11  **FERS-FRAE Exceptions**

- An individual appointed on or after January 1, 2014 will be subject to automatic FERS-FRAE coverage unless any of the following exceptions apply:
  - On December 31, 2013, the individual was covered under FERS,
  - On December 31, 2013, the individual was performing civilian service which is creditable or potentially creditable service under FERS, or
  - As of December 31, 2013, the individual had performed at least five (5) years of civilian service creditable or potentially creditable under FERS, including service subject to CSRS or CSRS Offset

12  **Retirement Types and Eligibility Requirements**

13  **Types of Retirements**

- [Voluntary/Optional](#)
- [Early Retirement](#)
- [Discontinued Service](#)
- [Disability](#)
- [Deferred](#)
- [Postponed](#)
- [Phased](#)

14  **FERS Age and Service Requirements – Voluntary and Deferred Retirement**

Age	Years of Creditable Service
MRA	30
Age 60	20
Age 62	5
MRA*	10* *(Age Reduction may apply)

15  **FERS Minimum Retirement Age (MRA)**

If you were born	Your MRA is
Before 1948 through 1952	55 through 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

16  **FERS Age and Service Requirements – Disability Retirement**

Age	Amount of Creditable Service
Any Age	18 months

17  **FERS Age and Service Requirements – Early and Discontinued Service Retirement**

Age	Years of Creditable Service
Any Age	25
Age 50	20

18  **FERS Early and Discontinued Service Retirement**

- Voluntary Early Retirement Authority (VERA)
  - Authority granted to agencies undergoing substantial restructuring, reshaping, downsizing, transfer of function, or reorganization
  - An agency VERA request requires OPM approval
- Discontinued Service Retirement (DSR)
  - Involuntary separation except for misconduct or delinquency
  - For example, reduction-in-force (RIF), abolishment of position, or lack of funds

19  **Selecting a Retirement Date**

- In general, the best day of the month for a FERS employee to retire is the last day of the month
- FERS annuities commence on the first day of the following month
  - Retirement date of May 31 means the annuity will commence June 1
  - Retirement date of March 15 means the annuity will commence April 1
  - Retirement date of January 1 means the annuity will commence February 1
- There are exceptions to the annuity commencement date for discontinued service retirements and disability retirements

20  **Creditable Service for Retirement**

## 21 **Types of Creditable FERS Service**

- [Civilian Service](#)
  - Federal service subject to FERS retirement deductions
  - Nondeduction Federal service performed before 1989 as long as a civilian service deposit is paid
  - Leave without pay (LWOP) up to six (6) months in a calendar year
- [Military Service](#)
  - Honorable active duty military service as long as a military service deposit is paid in full prior to separation from Federal service

## 22 **Civilian Service Deposits**

- FERS nondeduction service performed **prior to January 1, 1989**
  - Service is creditable for eligibility and computation purposes only if a civilian service deposit is paid
- FERS nondeduction service performed **on or after January 1, 1989**
  - Generally, not creditable and a deposit cannot be made
  - Some exceptions include:
    - Service as a volunteer in the Peace Corps or a VISTA volunteer
    - Service performed under the Foreign Service Pension System or Federal Reserve Bank

## 23 **FERS Civilian Service Deposits**

- A deposit must be paid in full to receive eligibility and computation credit for nondeduction service performed prior to 1989
- A FERS civilian service deposit for nondeduction service is generally 1.3% of salary, plus interest
- Interest is charged from the midpoint of a period of service and compounded annually
- Interest continues to accrue until the deposit is paid in full or annuity begins, whichever is earlier

## 24 **FERS Refunded Service and Redeposits**

- Section 1904 of the "National Defense Authorization Act for Fiscal Year 2010" (P.L. 111-84) allows individuals covered by FERS on or after October 28, 2009 to pay a redeposit for refunded FERS contributions
- It also permits the redeposit of any previously refunded CSRS contributions which are now subject to FERS rules
- Interest is charged from the date of the refund and compounded annually
- Interest continues to accrue until the redeposit is paid in full or annuity begins, whichever is earlier

## 25 **Civilian Service Deposit and Redeposit Application**

- To apply to pay a civilian service deposit and/or redeposit, an employee will need to:
  - Complete the [SF 3108](#) – Application to Make a Service Credit Payment
  - Submit the completed application to their servicing Human Resources Office
- Individuals must begin the civilian service deposit application process as an active employee
- If within six (6) months of retirement, employees will need to submit the request to pay a deposit/redeposit with the retirement application

## 26 **FERS Credit for Military Service**

- General rule, military service is potentially creditable for retirement purposes if it was:
  - Active Duty
  - Honorable Character of Service
- A military service deposit must be paid in full to receive credit for retirement eligibility and computation purposes

27  **FERS Credit for Military Service – Military Retired Pay**

- Employees cannot receive military service credit in their FERS annuity if they are receiving military retired pay, unless it was awarded:
  - Due to a service-connected disability either incurred in combat with an enemy of the United States or caused by an instrumentality of war and incurred in the line of duty during a period of war, or
  - Under the provisions of Chapter 1223, Title 10 U.S.C. (pertaining to retirement from a Reserve component of the Armed Forces)
- Individuals may elect to waive their military retired pay and have the service added to their FERS annuity, as long as the military service deposit was paid in full prior to their separation from Federal service

28  **FERS Military Service Deposit – Amount and Interest**

- A military service deposit is equal to 3% of the military basic pay earned during the period of active duty military service, plus interest
- No interest is charged for the first two (2) years of an employee's personal interest accrual date (IAD), interest begins to accrue during the third year and will be applied at the end of the third year
- An employee's IAD tends to be the date they are first employed in a position subject to FERS coverage after the period of active duty military service

29  **FERS Military Service Deposit – Application Process**

- Employees are responsible for seeking counseling concerning their eligibility to pay a military service deposit from their employing agency and obtaining all of the necessary documents for the agency to calculate the deposit amount due
- Examples of the required documents include:
  - DD 214, Certificate of Release or Discharge from Active Duty (member-4 copy)
  - A military finance center certified [RI 20-97](#), Estimated Earnings During Military
- Military service deposits are paid to the employing agency and must be paid in full prior to separation from Federal service

30  **Crediting Unused Sick Leave Under FERS**

- Section 1901 of the "National Defense Authorization Act for Fiscal Year 2010" (P.L. 111-84) permits the crediting of unused sick leave hours in the total amount of creditable service used in an FERS annuity
- Crediting FERS unused sick leave balance
  - 50% unused sick leave between October 28, 2009 through December 31, 2013
  - 100% unused sick leave on or after January 1, 2014
- Unused sick leave may not be used for establishing retirement eligibility

31  **How Much Money Will I Receive?**

32  **FERS Basic Annuity Formula**

**1.0% x High-3 Average Salary x Years of Creditable Service**

A factor of 1.1% is used for individuals who retire at age 62 or older with 20 or more years of creditable service.

33  **High-3 Average Salary**

- An individual's high-3 average salary is the highest basic pay earned during any three (3) consecutive years of service
- Typically, an employee's final three (3) years of service are their highest consecutive salaries

34  **What is Basic Pay?**

1 Basic pay **includes**:

- Regular Pay
- Locality Pay
- Night Differential for Wage Employees
- Premium Pay (for Firefighters and Law Enforcement Officers)

2 Basic Pay **does not include**:

- Bonuses
- Overtime
- Allowances
- Special Pay for Recruiting and Retention Purposes

35  **FERS Basic Annuity - Example #1**

- Retiring employee is age 57 with 30 years of creditable service and a high-3 average salary of \$100,000

*Basic Formula:*  $1.0\% \times \$100,000 \times 30$

*Step 1:*  $0.01 \times \$100,000 = \$1,000$

*Step 2:*  $\$1,000 \times 30 = \mathbf{\$30,000}$

- To compute the gross monthly annuity, divide the total by 12 months

$\$30,000 / 12 = \mathbf{\$2,500}$

36  **FERS Basic Annuity - Example #2**

- Retiring employee is age 62 with 24 years of creditable service and a high-3 average salary of \$98,000

*Basic Formula:*  $1.1\% \times \$98,000 \times 24$

*Step 1:*  $0.011 \times \$98,000 = \$1,078$

*Step 2:*  $\$1,078 \times 24 = \mathbf{\$25,872}$

- To compute the gross monthly annuity, divide the total by 12 months

$\$25,872 / 12 = \mathbf{\$2,156}$

37  **Annuity Computation for FERS Transfers**

- Individuals who elected to transfer to FERS may have a CSRS component if at the time of transfer they had at least five (5) years of creditable civilian service covered by either:
  - Civil Service Retirement System (CSRS), or
  - Social Security (FICA Only)
- Service with partial CSRS deductions is excluded (i.e., CSRS Offset or CS Interim)
- Annuity computation will have two (2) components (CSRS and FERS)

38  **FERS Annuity with a CSRS Component** (see charts on page 9)

39  **FERS Annuity with a CSRS Component – Example CSRS Component**

Employee, age 62, has 20 years of CSRS service at time of FERS election and has 10 years FERS Service with high-3 average salary of \$98,000

**CSRS Component:**

$1.5\% \times \$98,000 \times 5 = \$7,350$

$1.75\% \times \$98,000 \times 5 = \$8,575$

$2.0\% \times \$98,000 \times 10 = \$19,600$

**CSRS Basic Annuity = \$35,525**

40  **FERS Annuity with a CSRS Component – Example FERS Component**

**FERS Component:**

$1.1\% \times \$98,000 \times 10 = \$10,780$

**Combined Annuity:**

- CSRS Component – \$35,525
  - FERS Component – \$10,780
  - **Total Annual Annuity – \$46,305**
- Gross monthly annuity –  $\$46,305 / 12 = \mathbf{\$3,858}$

41  **FERS Annuity Supplement**

- Paid in addition to the gross monthly annuity
- Amount represents what an individual would receive from Social Security for their FERS civilian service
- Calculated as if the individual was age 62 and eligible for Social Security benefits
- Subject to earnings test which is \$21,240 for 2023
- Not subject to COLAs

42  **FERS Annuity Supplement – Eligibility**

- Individuals **eligible** for the FERS Annuity Supplement:
  - Have at least one (1) calendar year of FERS service, and
  - Retire under an immediate annuity
- Individuals **not eligible** for the FERS Annuity Supplement:
  - Disability or deferred annuities
  - Retirements under MRA+10 provisions
  - Annuitants who retire at age 62 or later

43  **Reductions Applied to Basic Annuity under FERS**

- MRA + 10 Age Reduction
- Survivor Annuity Benefits Election
- Any court order affecting retirement benefits (e.g., former spouse apportionment)

44  **MRA + 10 Retirement Age Reduction**

- An age reduction will be applied to the annuity if an employee:
  - Retires under MRA + 10 provisions, **AND**
  - Begins receiving their annuity before age 62
- Reduction is equal to 5/12 of 1% for each full month (or 5% per year) the individual is under age 62
- **This age reduction is permanent**
- To avoid the permanent age reduction, an individual may request a postponed retirement with a delayed annuity commencement date

45  **Reduction for Survivor Annuity Benefits**

- A survivor annuity reduction applies to a retiring employee who:
  - Elects a survivor annuity for a spouse and/or former spouse
  - Has a former spouse entitled to a survivor annuity based on a valid court order, and/or
  - Elects to provide someone with an insurable interest survivor annuity benefit

46  **Survivor Annuity Reduction under FERS**

**Full survivor annuity (50%)**

Annuity is reduced by 10%

**Partial survivor annuity (25%)**

Annuity is reduced by 5%

47  **Insurable Interest Survivor Benefit**

- Requires a medical report to show the employee is in good health
- The person named has a reasonable expectancy of financial benefit in the continued life of the employee
- Reduction to provide an insurable interest survivor annuity ranges between 10% and 40% depending on the age difference between the retiring employee and the person named
- Insurable Interest elections may not be made after retirement

48  **Presumed Insurable Interest**

- Insurable Interest is presumed to exist with:
  - Current spouse
  - Same-sex domestic partner
  - Blood or adopted relative closer than first cousins
  - Former spouse
  - Former same-sex domestic partner
  - A person to whom the employee is engaged to be married
  - A person in a relationship with the employee that would constitute a common-law marriage in a jurisdiction recognizing common-law marriages

49  **Ready to Retire?**

50  **Be Prepared**

- [OPM's Planning and Applying Overview](#)
- To continue health and life insurance in retirement:
  - To continue Federal Employees Health Benefits (FEHB) coverage in retirement, employees must have been **continuously covered** for the **five (5) years immediately before retirement**
  - To continue Federal Employee Group Life Insurance (FEGLI) coverage in retirement, employees must have been **continuously covered** under the Basic and/or Optional coverages for the **five (5) years immediately before retirement**

51  **FERS Retirement Application**

- [SF 3107](#) - Application for Immediate Retirement (FERS)
- Examples of supporting documents:
  - Marriage Certificate
  - DD 214
  - Military retired pay notice of award
  - Court Orders
  - [SF 2818](#), Continuation of Life Insurance Coverage as an Annuitant or Compensationeer
  - [W-4P](#), Withholding Certificate for Periodic Pension or Annuity Payments

52  **FERS Cost of Living Adjustments (COLAs)**

- In general, FERS annuitants do not receive COLAs until age 62
- If a COLA is payable, they are applied to annuities on December 1
- Prorated COLAs are payable to annuities with commencement dates between December 1 and November 30
- Based on the percentage increase in the Consumer Price Index (CPI)
  - 0-2% increase - FERS COLA equals the CPI increase
  - 2-3% increase - FERS COLA equals 2%
  - Over 3% increase - FERS COLA is 1% less than the CPI increase



53  **Returning to Federal Government After Retirement**

- Generally, if a retiree is reemployed in the Federal government, their annuity continues and their salary is offset by their annuity
  - In this situation, a retiree may become eligible for supplemental retirement benefits if they are reemployed for at least one (1) year
- Alternatively, some retirees may receive a dual compensation waiver which means they receive their full salary (no offset) and annuity
  - These retirees cannot receive any additional retirement benefits
- A retiree must notify their employing agency right away that they are receiving an annuity from OPM and provide a copy of their most recent annuity statement along with their CSA number

54  **Retirement Journey Resources**

- **Before you retire....**
  - Your agency's Human Resources Office and/or Retirement Counselor
  - [OPM Retirement Center](#) for retirement planning resources
- **During your retirement process....**
  - Submit all required forms and documentation timely
  - Make sure your contact information is current and accurate
  - Keep in contact with your Retirement Counselor
- **After you retire...**
  - Visit the [Retirement Support Center](#)
  - Read all OPM notices received via postal mail or email
  - Access your [OPM Services Online](#) account

55  **Questions?**

**Slide 38 - Charts**

**Computation of FERS Component**

Age	Formula
Under Age 62 at Separation for Retirement, <b>or</b> Age 62 or older with less than 20 years of service	1% of high-3 average salary for each year of service
Age 62 or older at separation with 20 or more years of service	1.1% of high-3 average salary for each year of service

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**Computation of CSRS Component**

Duration	Formula
First 5 years of CSRS service	1.5% of high-3 average salary for each year of service
Second 5 years of CSRS service	1.75% of high-3 average salary for each year of service
All years of CSRS service over 10	2% of high-3 average salary for each year of service