



FERS retirement, Part III

One of the most misunderstood features of the Federal Employees Retirement System (FERS) concerns the supplemental annuity portion of that retirement system.

When CSRS was replaced with FERS, it mandated a three-tier retirement package. The tiers contain:

- A defined annuity similar but smaller than the old CSRS one;
- A Social Security benefit; and
- An employer/employee 401(k)-type savings account, the Thrift Savings Plan (TSP).

FERS requires applicants to have completed 30 years of service and be at the minimum retirement age (MRA) or have 20 years of service at age 60 or five years of service at age 62 to retire on “optional retirement.” Retirements based on MRA plus 10, those based on a deferred annuity or disability retirements, are not eligible for any supplement.

While the FERS retirement gradually increases the MRA from 55 years up to age 57 based upon the year of birth, it still allows workers to retire several years prior to being eligible for Social Security. The supplement is designed to “approximate” the young retirees’ Social Security benefit as if they had reached age 62. It in fact acts as a bridge until the person reaches age 62 and becomes eligible to draw Social Security.

The amount of a person’s supplement is based solely upon their years of employment under FERS. Military or other service time (sick leave) will not count toward this entitlement. So, if a person has 25 years of FERS employment and five years military time that they have purchased credit for and receive credit for six months of sick leave, they would have 30.5 years creditable service toward retirement but would only get credit for 25 years toward their supplemental annuity.

While the supplemental income approximates Social Security benefits, the Social Security Administration has no dealings in their determination or funding. They are computed and paid from OPM from the FERS account.

Generally, the amount to be paid as a supplement is determined by dividing the number of years of FERS service by 40. This percentage is then multiplied by the amount of estimated Social Security benefits that the person is projected to receive at age 62 from Social Security.

For example, a person with 28 years of FERS service who has paid back two years of military time has completed 30 years of service. If they are at their MRA, they could retire and their supplement would be 70 percent of their estimated Social Security entitlement at 62 (28 FERS years / 40 = .70). As an example, if the Social Security entitlement at age 62 is \$1,400, their supplement would be \$980 per month.

The supplemental income ceases the last day of the month in which the retiree becomes age 62, even if they

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do not start drawing their Social Security. There is no cost-of-living adjustment (COLA) on supplements and the supplement has the same earnings restrictions as Social Security of losing \$1 for each \$2 earned over the earning limit. (The Social Security yearly earnings limit for 2010 is \$14,160.)

2010 convention retirement breakfast

Elsewhere in this publication, you will find the registration form for our retirement breakfast, to be held Wednesday, August 11, at 7:30 a.m. at the Hilton Anaheim (see page 29). We all look forward to seeing as many retirees as possible for an enjoyable and hopefully educating experience.

Since seating is limited, I urge anyone interested to send the registration and money in prior to the start of the convention. Tickets are \$25 each. Any remaining tickets will be available for purchase on the first day of the convention. 