



## Hey! I remember that question— I just can't remember the answer

**O**ne benefit of aging is that we tend to have seen most things previously. A big disadvantage is that we usually cannot remember how things went the last time. This month, I am updating an article from 2009 concerning the Federal Employees Retirement System (FERS) supplemental annuity. As more and more of our members approach FERS retirement, they need to be aware of how this supplement is figured and why it is so important.

The FERS annuity supplement is paid *in addition* to gross monthly FERS annuity benefits. It represents what you would receive for your FERS civilian service from the Social Security Administration (SSA) and is calculated as if you were eligible to receive SSA benefits on the day you retired. The supplemental annuity is paid by the Office of Personnel Management (OPM) and not by Social Security.

Eligibility for the annuity supplement continues *until the earlier of*:

- The last day of the month before the first month for which you would be entitled to actual Social Security benefits, or
- The last day of the month in which you reach age 62.

**Eligibility for the annuity supplement**—If you retire voluntarily on an immediate annuity that is not reduced for age, you may be eligible for the annuity supplement in addition to your regular monthly FERS benefit. You may also receive the supplement if you retired involuntarily before attaining your minimum retirement age (MRA) or voluntarily because of a major reorganization, reduction in force, or an early retirement for members of Congress. However, in these three instances, you will not be eligible for the annuity supplement until you reach your MRA. If you receive a deferred benefit, a disability benefit or an immediate MRA+10 benefit, you will not be eligible for the annuity supplement.

If your annuity has a Civil Service Retirement System (CSRS) and a FERS component, you can still receive an annuity supplement. However, you must have completed one full calendar year of service subject to FERS computation rules.

**Computation of annuity supplement**—The FERS annuity supplement is computed as if you were age 62 and fully

insured for a Social Security benefit when the supplement begins. OPM first estimates what your full career (40 years) Social Security benefit would be. Then it calculates the amount of your civilian service under FERS and reduces the estimated full career Social Security benefit accordingly. For example, if your estimated full career Social Security benefit would be \$1,400 and you worked 30 years under FERS, we would divide 30 by 40 (.75) and multiply ( $\$1,400 \times .75 = \$1,050$ ). The result would be your FERS annuity supplement, prior to any reductions.

**Changes in the amount of the supplement**—Like Social Security benefits, the FERS annuity supplement is subject to an earnings test. It is reduced if you earn more than the Social Security exempt amount of earnings in the immediately preceding year. The earnings limit for 2012 is \$14,640, with the supplement reduced by \$1 for every \$2 of earnings over this minimum level. It is possible that the supplement could be reduced to \$0. However, the FERS basic benefit will not be reduced. If you are receiving a supplement, you must report your earnings to OPM. You will receive instructions on how to report your earnings once you begin receiving the annuity supplement. The amount you may earn without affecting your FERS annuity supplement is determined by the Social Security Administration each year with increases calculating in the annual increases in average wages for the national workforce.

**Definition of earnings**—The FERS basic benefit, interest or investments are not considered earnings when determining your income for the earnings test. Earnings for the year consist of the sum of wages for service performed in the year, plus all net earnings from self-employment for the year, minus any net loss from self-employment for the year.

**A heads-up**—If you are a FERS-covered employee, you are urged to pay attention to the actions currently being considered in Congress concerning the elimination of the FERS supplement and the reduction in benefits in the future. The supplement is approximately 35 percent of your pre-age 62 income for a regularly retired annuitant. If it is eliminated, it could well require you to work until age 62 or even longer. ☒