

Annuity options after separation



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In general, being removed or fired from the Postal Service does not negatively affect a Federal Employees Retirement System (FERS) or Civil Service Retirement System (CSRS) retirement, except that one stops accruing additional credit upon separation. There sometimes is a misconception that if you are fired, you lose your right to an annuity. Although it is technically possible to lose one's entitlement to an annuity, these situations are extremely rare. There are certain crimes, mainly revolving around espionage and treason, that if convicted, would result in the loss or forfeiture of retirement benefits.

The first and generally most obvious choice for separated employees is an immediate unreduced annuity. FERS eligibility for an immediate and unreduced annuity is minimum retirement age (MRA) with 30 years of service, age 60 with 20 years of service, or age 62 with five years of service.

Those who do not have the minimum years of service but have achieved their MRA and have at least 10 years of service may be eligible for an immediate but reduced annuity (MRA+10). Under an MRA+10 retirement, they face a permanent reduction of their benefit by 5 percent for each year under age 62. In this situation, they can reduce or eliminate the age reduction by choosing a later annuity start date. When postponing the annuity date, your life insurance cannot continue if you are not receiving an annuity. When the annuity begins, if you meet the usual requirements for continuing coverage into retirement at separation, the life insurance coverage you had when you separated will resume. Health insurance is similar, except that it is possible to temporarily continue your health benefits coverage for 18 months, though you must pay the entire premium. When your annuity payments begin, if you had Federal Employees Health Benefits (FEHB) coverage for the five years of service immediately before you separated, you will again have the opportunity to enroll in a health benefits plan under the regular FEHB program, and the Office of Personnel Management (OPM) will pay the government share of the premium.

If you retire 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.

Employees separated before their MRA may have to defer their retirement. In a deferred retirement, the separated employee can apply to start an annuity when he or she achieves the same eligibility situations for an immediate annuity, listed above. If you receive a deferred annuity, you will not be eligible to continue health benefits or life insurance coverage. For example, let's look at a FERS employee with 11 years of service that separates at age 54, three years shy of his or her MRA at 57, and who is not eligible for disability retirement. The employee can either start his or her annuity at age 57 (MRA+10) and face the 5 percent reduction per year for each year under age 62, or start an unreduced annuity at age 62. If this employee has 20 years of service, he or she could start an unreduced annuity at age 60 instead of 62. If this employee has 30 years of service, eligibility for an unreduced annuity would commence at age 57 (their MRA in this example).

Generally, FERS disability retirement can be applied for if OPM receives the application within one year of the date of separation. FERS employees must have completed 18 months of creditable service to be eligible. CSRS employees must have completed at least five years of creditable service.

If you receive a deferred benefit, a disability benefit or an immediate MRA+10 benefit, you will not be eligible for the annuity supplement.

FERS employees with less than five years of service are not eligible for a voluntary retirement, such as an unreduced immediate annuity, or a deferred retirement. Separated FERS employees can apply for a refund of their FERS contributions. Those who withdraw their FERS contributions forfeit their right to an annuity, so anybody with more than five years should be extremely careful before requesting a refund. If reemployed in the federal government, they may elect to redeposit those funds to get back their credit.

Any CSRS employees who are not yet eligible for an immediate retirement and would like to explore their options can visit the retirement page at nalc.org or contact the Retirement Department at 800-424-5186 Monday, Wednesday and Thursday from 10 a.m. to 12 p.m. and 2 p.m. to 4 p.m., or by calling 202-393-4695 Monday through Friday from 9 a.m. to 4:30 p.m. (Eastern time).

Finally, I would like to remind everybody that an application must be submitted to start an annuity. There are no automatic payments for those who neglect their obligation to apply. OPM recommends submitting an application two months prior to your commencement date.