



FIRST COMMAND  
**EDUCATIONAL  
 FOUNDATION**<sup>SM</sup>  
 FINANCIAL READINESS FOR LIFE

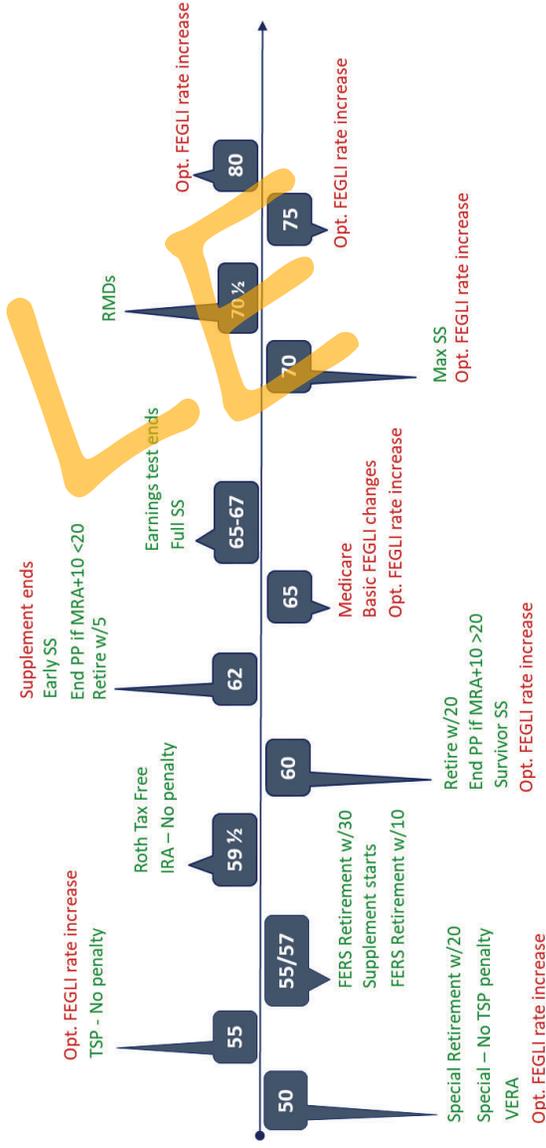
2021

# FERS Employee Benefits Guide



## FERS Milestones

### Key Ages When Decisions/Changes Occur



**Possible Goal:** Steady retirement income stream, after inflation & taxes  
**Bottom Line:** It might be harder than it first appears

## Table of Contents

<b>Chapter 1 - Federal Employees Retirement System (FERS) Annuity and Survivor Benefits</b> .....	<b>5</b>
FERS Annuity and Survivor Benefits Overview .....	5
Retirement Eligibility .....	5
Deposit For Military Service .....	10
Making The Military Deposits .....	11
Deposits For Non-Deduction Service .....	11
Redeposits .....	12
FERS Annuity Computation.....	13
Creditable Service .....	13
Retirement Formulas .....	14
Cost Of Living Adjustments (Colas) .....	15
Federal Income Tax Treatment .....	16
FERS Disability Retirement .....	16
Retirement Date Selection .....	18
Phased Retirement.....	18
FERS Survivor Benefits.....	19
In-Service Basic Employee Death Benefit (BEDB).....	19
Spousal Survivor Benefits For FERS Annuitants .....	20
Insurable Interest Survivor Benefits .....	21
Children's Survivor Benefits .....	22
Benefit Amount Determination .....	22
Special Retirement Supplement (FERS).....	23
FERS Special Provisions.....	24
Retirement Deductions .....	24
Retirement Eligibility .....	24
High-3 Calculation .....	25
Annuity Calculation .....	25
Cost-Of-Living Adjustments.....	26
Special Retirement Supplement.....	26
Mandatory Retirement .....	26
Appendix A - Computation of the Annuity Using the FERS 1 Percent Accrual Factor.....	27
Appendix B - Computation of the Annuity Using the FERS 1.1 Percent Accrual Factor.....	28
Appendix C - Formulas for Law Enforcement Officers, Firefighters and Air Traffic Controllers .....	29
Appendix D - FERS Deposit Service.....	30
Appendix E - FERS Redeposit Service .....	31
Appendix F - FERS Military Service .....	32
Appendix G - 2087 Hours Chart .....	33
Appendix H - Interest Rates for Deposits, Redeposits, and Military Deposits .....	34
Appendix I - Form SF 3107, Application for Immediate Retirement .....	35
Appendix J - Form SF 3107-1, Certified Summary of Federal Service.....	37
Appendix K - SF50 Notification of Personnel Action.....	38
<b>Chapter 2 - Thrift Savings Plan (TSP)</b> .....	<b>39</b>
TSP Overview .....	39
Pre-Retirement Or Separation.....	39
Introduction To The Thrift Savings Plan .....	39
Employee Regular Contributions .....	39
Agency Contributions (FERS Employees Only) .....	40

Employee Catch-Up Contributions.....	41
TSP Contributions: Some Considerations.....	42
Investment Funds.....	43
Loans .....	47
In-Service Withdrawals .....	48
In-Service Withdrawals: Age-Based Withdrawals .....	48
In-Service Withdrawals: Financial Hardship Withdrawals.....	49
Payout Options at Retirement or Separation.....	49
Available Options .....	49
Factors Affecting TSP Retirement Income Potential .....	50
Funds Left In TSP .....	50
TSP Spousal Requirements .....	51
Spousal Consent.....	51
Online Withdrawal Tools .....	51
Key TSP Forms .....	52
<b>Chapter 3 - Social Security for Federal Employees</b> .....	<b>53</b>
Social Security Overview .....	53
Contact information.....	53
Benefits Calculations .....	53
Retirement Benefits.....	54
Family Benefits .....	55
Former Spouse Eligibility.....	55
Survivor Benefits .....	55
Windfall Elimination Provision (WEP) .....	57
Government Pension Offset (GPO) Provisions .....	59
Earnings Test.....	59
Disability Benefits .....	60
Social Security Planning.....	61
<b>Chapter 4 - Federal Employees Group Life Insurance (FEGLI)</b> .....	<b>63</b>
Life Insurance Overview .....	63
Introduction To Life Insurance .....	63
Life Insurance .....	63
Federal Employees Group Life Insurance (FEGLI).....	64
What It Is.....	64
Cost .....	65
Enrollment, Eligibility And Cancellation .....	66
FEGLI Basic Coverage .....	67
FEGLI Option A - Standard Coverage.....	67
FEGLI Option B - Additional Coverage.....	68
FEGLI Option C - Family Coverage .....	68
FEGLI In Retirement .....	69
Appendix A - SF 2818, Continuation of Life Insurance Coverage .....	72

<b>Chapter 5 – Health Insurance Programs .....</b>	<b>73</b>
Federal Employee Health Benefits (FEHB) Overview .....	73
FEHB Major features .....	73
Eligibility .....	74
Premium Conversion .....	74
FEHBP and Retirement .....	74
Continuation of FEHBP Coverage into Retirement .....	74
Survivor benefits .....	75
Cost .....	75
Suspension of FEHBP for Other Coverage .....	75
Temporary Continuation of Coverage (TCC) .....	76
Cost .....	76
Medicare for Federal Employees.....	77
Contact information .....	77
Introduction to Medicare .....	77
Medicare Part A .....	77
Medicare Part B.....	78
Medicare Part C (Medicare Advantage Plans).....	80
Medicare Part D (Prescription Drug Coverage) .....	80
Coordination of Benefits .....	82
Overview .....	82
Coordination with USF and the VA.....	82
Coordination with TRICARE (formerly CHAMPUS).....	82
Coordination with Medicare .....	83
Federal Employee Dental and Vision Insurance Program (FEDVIP) .....	84
Eligibility and Enrollment .....	84
FEDVIP for Retirees and Survivors.....	84
Federal Long-Term Care Insurance Program (FLTCIP) Overview .....	85
What Is Long-Term Care Insurance (LTC) .....	85
The Federal Long-Term Care Insurance Program (FLTCIP) .....	85
Federal LTC Eligibility and Enrollment .....	86
FLTCIP 3.0 .....	86
Benefit Plans and Options .....	87
Coverage Plan.....	87
Daily Benefit Amount .....	87
Payout of LTC Benefits.....	88
Introduction .....	88
Premiums.....	90
<b>Chapter 6 - Financial Planning.....</b>	<b>91</b>
Financial Planning Overview.....	91
What Can a Financial Plan Do for You? .....	91
Building a Solid Financial Plan.....	92
Dollar Cost Averaging .....	94
The Power of Compounding.....	95
Diversification/Asset Allocation .....	95
Estate Planning.....	96

Choosing a Financial Advisor .....	98
Determining If Working With An Advisor Is Right For You.....	98
What To Look For In A Financial Advisor.....	98
Evaluating Behavior.....	99
Appendix A – Planning for Retirement Checklist.....	103
Appendix B – Retirement Income Calculator .....	105
Appendix C – Sample Personal Monthly Budget .....	106

**About First Command Educational Foundation**

First Command Educational Foundation (FCEF) has been proudly supporting scholars and their families since 1983. FCEF is a 501(c)(3) public charity and has worked tirelessly to promote their mission to educate those who serve. To that end, FCEF has awarded over \$4.5 million in scholarship grants to help offset the costs of higher education and has educated over 60 thousand individuals on numerous financial readiness topics. [www.fcef.com](http://www.fcef.com)

*This presentation is for educational purposes only.*

©2021 First Command Educational Foundation. All rights reserved. First Command Educational Foundation (FCEF) does not endorse or favor any commercial supplier, product or service, or promote the services of a specific financial institution.

Advertisements, promotions, statements, and logos are those of First Command Educational Foundation. The Department of Defense, the Department of Homeland Security, and the individual military services neither expressly nor by inference imply any endorsement, association, or recommendation with regard to this organization, nor do they endorse or favor any commercial supplier, product or service, or promote the services of a specific financial institution.

\* DoD Instruction 1344.07, March 30, 2006

## Chapter 1 - Federal Employees Retirement System (FERS) Annuity and Survivor Benefits

### FERS Annuity and Survivor Benefits Overview

#### What Is A FERS Annuity

FERS is categorized as a defined benefit retirement plan. As such an employee contributes a portion of his or her salary as an employee in return for a pension - also called an annuity - that is paid by the federal government for the duration of his/her life once he/she retires.

#### Funding

FERS employees hired before 2013 contribute a small portion of their wages (0.8 percent for regular FERS and 1.3 percent for Special Provision FERS) using after-tax dollars to the FERS Retirement and Disability Fund. The government contributes an additional amount, and together with earnings on these contributions, an annuity is paid to the retiree.

FERS employees hired in 2013 have FERS-RAE coverage which requires an additional retirement contribution of 2.3 percent (totaling 3.1 percent for regular and 3.6 percent for Special Provisions).

FERS employees hired in 2014 and later have FERS-FRAE coverage which, requires an additional retirement contribution of 1.3 percent (totaling 4.4 percent for regular and 4.9 percent for Special Provisions).

All FERS employees contribute 6.2 percent of their wages to Social Security.

### Retirement Eligibility

#### Retirement Code Verification

It is important for employees to verify their coverage by checking their SF 50 (Notification of Personnel Action) forms which are located in their personnel files. The table below defines the codes used in Block 30 of the form. Note that FERS employees should have a Code K, L, M or N in Block 30. Please verify your codes to make sure you are in the correct retirement system.

Retirement Plan	Commonly Called	SF 50 Code
Civil Service Retirement System	CSRS	Code 1 or 6
Civil Service Retirement System and Social Security	CSRS Offset	Code C or E
Social Security Only	FICA	Code 2
Federal Employees Retirement System	FERS	Code K, L, M, N or O (Hired before 2013) Code KR, LR, MR, NR, OR (Hired in 2013) Code KF, LF, MF, NF, OF (Hired after 2013)

**Note:** Code K is Regular FERS  
Code M is LEO/FF ("covered service")  
Code O is CBPO LEO  
Code L is ATC ("good time")  
Code N is MRT

#### FERCCA

The Federal Erroneous Retirement Coverage Correction Act (FERCCA) is a law that addresses the long-term harm to retirement planning created when employees are placed into the wrong retirement system. If you discover that you may have been placed in the wrong retirement system, you should contact your Human Resources Office.

#### Minimum Eligibility Requirements

There are two (2) minimum retirement eligibility requirements under FERS. To be eligible to retire under FERS, an employee must:

- Have at least five (5) years of creditable FERS or CSRS service, and
- Be subject to FERS on the last day of service used to establish the employee's retirement eligibility.

#### FERS Transferee Eligibility Requirements

A FERS Transferee (who transferred from CSRS to FERS and had at least five (5) years as a CSRS) is subject to the FERS retirement eligibility rules. They will have two (2) components to their retirement annuity. One portion comes from CSRS and the other from FERS.

#### Additional Eligibility Requirements Under FERS

In addition to meeting the minimum requirements above, an employee also must meet certain age and service requirements. The table below highlights the age and service requirements for the various types of FERS retirements as well as any special requirements that must be met to be eligible to retire under FERS.

Note that early retirements may require you to take a reduced annuity.

Type	Conditions	Minimum		Special Requirements	Penalties
		Age	Service years		
Voluntary	Normal retirement	62	5	None	Those meeting the age and service requirements receive an immediate, unreduced annuity.
		60	20		
		MRA <sup>1</sup>	30		
Voluntary	MRA + 10	MRA <sup>1</sup>	10	Must meet Minimum Retirement Age (MRA) and have 10 or more years of creditable service.	Employee receives a reduction of 5/12 of 1% for each month (5% per year) under age 62. Receipt of the annuity may be postponed to eliminate all or a portion of the age reduction penalty.
Voluntary	Early out offered due to a reorganization, reduction-in-force, or a transfer of function	50	20	Your agency must be undergoing a major reorganization, reduction-in-force or transfer of function as determined by the OPM.	Under FERS there is no age reduction penalty for being under age 55. <sup>2</sup>
		Any age	25		
Voluntary	Disability	Any age	18 months of civilian service	You must be unable to do your own job or vacant position at same pay level in same agency in same commuting area. Application must be prior to retirement, or within one year of separation, except in cases of mental incompetence. You also must apply for Social Security benefits.	None

<sup>1</sup> MRA = Minimum Retirement Age - the earliest age at which an employee with at least 30 years of service may retire without an age reduction penalty.

<sup>2</sup> A FERS retiree under the age of 55 and who has a portion of his or her annuity subject to CSRS rules will have the 2.0 percent age reduction applied to the CSRS component.

Source: [www.opm.gov](http://www.opm.gov)

Type	Conditions	Minimum		Special Requirements	Penalties			
		Age	Service years					
Voluntary	Deferred	Any age	5	The five (5) years of service must be actual FERS years, and you must not have received a refund of retirement contributions upon separation.	Deferred payments outlined below			
			Benefits payable at:					
			62			5	None	None
			60			20	None	None
			MRA <sup>1</sup>			30	None	None
Involuntary	Discontinued Service	50	20	Your separation must be involuntary and not for misconduct or delinquency. Employee must not decline a reasonable offer of a position.	Under FERS, there is no age reduction penalty for being under age 55. <sup>2</sup>			
			Any age			25		
Voluntary	Law Enforcement Officer, Firefighter	50	20	Complete 20 years as a Law Enforcement Officer <sup>3</sup> or Firefighter, or combination, and must complete three (3) years in rigorous (first-line) position before moving to a secondary position without a break in service. Must retire by mandatory retirement age of 57. <sup>4</sup>	None			
			Any age			25		
Voluntary	Air Traffic Controller	50	20	Complete 20 years as Air Traffic Controller. Must retire by mandatory retirement age of 56. <sup>4</sup>	None			
			Any age			25		

<sup>1</sup> MRA = Minimum Retirement Age - the earliest age at which an employee with at least 30 years of service may retire without an age reduction penalty.

<sup>2</sup> A FERS retiree under the age of 55 and who has a portion of his or her annuity subject to CSRS rules will have the 2.0 percent age reduction applied to the CSRS component.

<sup>3</sup> Applies differently to CBPOs who gained LEO coverage effective July 6, 2008.

<sup>4</sup> There are certain exceptions to the Mandatory Retirement Age for Law Enforcement, Firefighters and Air Traffic Controllers. Consult your agency to determine if you are subject to any exceptions.

Source: [www.opm.gov](http://www.opm.gov)