

My Life Insurance After Retirement

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What is the five-year/all opportunity rule for continuing life insurance into retirement?

When you retire, you are eligible to continue life insurance if you meet **all** of the following requirements:

- you are entitled to retire on an immediate annuity under a retirement system for civilian employees;
- you have been insured for the 5 years of service immediately before the date your annuity starts, or for the full period(s) of service during which you were eligible to be insured if less than 5 years; **and**
- you have not converted to an individual policy.

You must meet the five year/all opportunity requirement for Basic and each type of Optional insurance in order to continue it into retirement.

For purposes of continuing FEGLI coverage into retirement, "service" means time in a position in which you were eligible for coverage. Breaks in service are not counted as interruptions in coverage.

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An example will help.

Joan first became eligible and enrolled in Basic and Option A coverage on February 11, 1990. She had a break in service from January 1, 1994, through January 1, 1996. Upon her return to service on January 2, 1996, she was automatically given Basic and Option A. She retires on December 31, 1997. She is eligible to continue her Basic and Option A coverage into retirement, since she has been continuously enrolled for the 5 years of service immediately before retirement.

Here's another example.

Theodore had Basic only when he was hired in May 1966. In 1981, during the open season, he elected Basic and Option B, two times his salary. In November 1996, he married Isabelle and also acquired two stepchildren. Based on this life event, Theodore added 3 multiples of Option B, for a total of five multiples. Theodore retired in May 1999. He is eligible to continue Basic and Option B, two multiples, into retirement. He cannot continue the three multiples he picked up when he married because he did not have them for the five years of service immediately before his retirement nor did he have them for all the time they were available to him.

If I unexpectedly need to retire (disability or otherwise) and don't meet the five-year/all opportunity rule for continuing my coverage into retirement, can I receive a waiver from OPM?

No. There are no waivers of the five year/all opportunity rule for continuing life insurance coverage into retirement. There are no exceptions to the "no waiver" rule - it does not matter whether you retire on disability, accept a voluntary incentive payment, etc. The only way to continue coverage into retirement is to meet the five year/all opportunity rule. Yes, this is different from the health benefits program which does allow for waivers under certain circumstances.

I've had my coverage for four years (not for all the time it was available) and will be retiring next month. Can I pay premiums to "buy back" the time I'm missing so that I meet the five year/first opportunity rule for continuing into retirement?

No. The only way to continue coverage into retirement is to meet the five year/all opportunity rule. You cannot "buy" the years you are missing

I've had Basic and Option C coverage since 1985. I elected Option C (5X) during the 1999 Open Season. I know it was effective April 23, 2000. I want to retire in 2001, how many multiples can I carry into retirement?

You met the 5-year requirement for Option C and you met the all opportunity requirement for the extra multiples of Option C. You can carry all 5 multiples of Option C into retirement.

What will happen to my Basic life insurance when I retire?

If you meet the rules listed above for continuing your coverage into retirement, you will be able to choose from three levels of coverage for your Basic when you retire: 75%, 50% and No Reduction. Your election will become effective after you retire, when you turn age 65. If you are already age 65 or older when you retire, then your election will become effective at retirement.

Here's how it works. When you retire, you will complete a *Continuation of Life Insurance Coverage*, SF 2818. If you elect 75% then the amount of your Basic insurance at retirement will begin to reduce when you reach age 65 or if you are older than 65 when you retire, it will begin to reduce when you retire. Reductions start the 2nd month after your 65th birthday or, if you are over 65 when you retire, the 2nd month after retirement. The amount reduces by 2% of the original amount each month until it reaches 25% of the original amount. From then on, only 25% of the original amount of Basic insurance is payable as a death benefit.

If you elect 50% then the amount of your Basic insurance at retirement will reduce by 1% of the original amount each month until it reaches 50% of the original amount. From then on, only 50% of the original BIA is payable as a death benefit.

If you elect No Reduction, then the amount of your Basic insurance at retirement remains the same. The full amount of the BIA is payable as a death benefit.

What will happen to my Optional insurance when I retire?

Option A: If you have Option A when you retire, and you are eligible to continue it into retirement, your Option A coverage will continue in full (\$10,000) until you reach age 65. Beginning the 2nd month after your 65th birthday, or if you are over 65 when you retire, the 2nd month after retirement, Option A will start to reduce at 2% of \$10,000 or \$250 per month until it reduces down to \$2500. From then on, this is the amount that is payable as a death benefit. You cannot prevent these reductions.

Options B and C: If you are eligible to continue your Option B and/or Option C insurance into retirement, you will have two opportunities to make an election. You will make the first election when you retire. You will be able to choose from two levels of coverage: Full Reduction and No Reduction for all multiples.

If you elect Full Reduction, then at age 65, the amount of your Option B and/or Option C will begin to reduce at the rate of 2% per month until it reduces to zero.

If you elect No Reduction, then the full amount of your Option B and/or Option C will continue until you die unless you change it to Full Reduction. You will have a second election opportunity shortly before your 65th birthday. At that time, you will be able to choose Full Reduction or No Reduction for any or all multiples of coverage you have under Option B and/or Option C.

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If you are already age 65 when you retire, you still get two chances to make an election: when you retire and again shortly after your retirement.

I am a Federal retiree. How do I cancel (waive) or reduce my coverage?

Federal retirees, unless they have assigned their life insurance, may cancel Basic or Optional life insurance coverage at any time. If you cancel Basic, you automatically cancel all forms of Optional insurance. If you elected 50% or No Reduction for your Basic life insurance, you may cancel this additional coverage at any time. You may only change to the 75% reduction. If you have Option A-Standard insurance, you may cancel it at any time. You may reduce (or cancel) the amount of your Option B-Additional Optional and Option C-Family insurance at any time.

Any cancellation or reduction of life insurance must be in writing and have an original signature by the insured retiree. Be sure to include your retirement claim number (CSA number) or social security number and specify what action you want taken. Please note you cannot increase your coverage after retirement, or reinstate any coverage that you cancel.

Write to:

U.S. Office of Personnel Management
Retirement Operations Center
P.O. Box 45
Boyers, PA 16017-0045

When will the reductions to my Basic and Optional insurance actually begin?

The reductions start at the beginning of the 2nd month after your 65th birthday or the beginning of the 2nd month after your retirement ,whichever is later.

For example:

Pierre retired December 31, 1999. He will turn 65 on March 15, 2005. The reductions for his Basic and Optional insurance (if applicable) will start May 1, 2005.

Here's another example:

Selena was 67 years old. Her retirement began on January 1, 2000. Since she was already past 65 when she retired, the reductions for her Basic and Optional insurance (if applicable) will start March 1, 2000.

Do I have to pay for my insurance coverage after I retire?

If you are under age 65 when you retire, you will continue to pay premiums you paid as an employee for your Basic and any Optional insurance you have until you turn 65. The

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retirement system will withhold the premiums from your annuity each month. The cost of the optional insurance depends on your age. The cost of Basic does not depend on your age.

When you reach age 65 or if you are age 65 or older when you retire, whether you continue to pay premiums depends on what reduction schedule you have chosen.

Basic insurance coverage with a 75% Reduction schedule is free to annuitants over age 65, but the coverage begins to reduce at age 65 by 2% per month until it reaches 25% of the pre-retirement amount. If you choose the 50% Reduction or No Reduction schedule for your Basic coverage, you will continue paying some level of premiums for the rest of your life.

Option A is free, after you turn 65 however it then starts to reduce at the rate of 2% per month until it reaches 25% of the pre-retirement amount or \$2500.00.

Option B and Option C are free if you choose the Full Reduction, but they begin to reduce at age 65 by 2% per month until they reach zero. If you elect No Reduction for your B and/or C, then you continue to pay the premiums and coverage continues unreduced until you die or change to Full Reduction.

Note: Rates may change in the future.

Does accidental death and dismemberment coverage continue into retirement?

No. Accidental death and dismemberment coverage ends when your employment ends. You cannot carry this coverage into retirement.

I retired, and will soon be reemployed with the Federal government. Can I obtain more insurance for free as an employee because of my retired status?

No. You may be eligible to obtain insurance as a reemployed annuitant, but you will have to pay the same rates as any other employee for such insurance. Your agency will give you more information when you are reemployed.

When I retired four years ago I was not able to continue my Option B coverage into retirement because I had it for only two years before retirement. I have been a reemployed annuitant for three years now and I have Option B. Will I be able to continue it when I separate?

Yes. If you meet the five-year requirement when your reemployment terminates, you will be able to continue your Option B. An example of this may help you to understand.

Gabriela had Basic since she was first employed with the Federal government and Option B, two multiples, since March 1991. She retired in June 1993. She was not able to continue her Option B. She was reemployed as a reemployed annuitant in June 1996. She elected Option B, two multiples as an employee. She worked until December 1999. She is now eligible to continue her Option B, 2 multiples, into retirement

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because she has had it for the five years of service immediately preceding her separation in 1999.