Retirement System

- Civil Service Retirement System (CSRS)
- CSRS Offset (CSRS and FICA coverage)
- Federal Employees Retirement System (FERS)
- Federal Employees Retirement System- Revised Annuity Employee (FERS-RAE)
Retirement System

Civil Service Retirement System (CSRS)

- CSR Act effective August 1920
- Defined benefit
- Contributory retirement system
- Most employees pay 7% & employing agency pays 7%
- Option of paying into Voluntary contribution account
Retirement System

CSRS Offset (CSRS and FICA coverage)

• 1983 Social Security Laws changed
  • SS FICA coverage for most “new” Federal employees hired > 12/31/1983 or employees rehired > 12/31/1983 after a break in retirement coverage of > one year, placed in an “interim” retirement system

• 1/1/1987, Congress created the CSRS Offset System
Retirement System

CSRS Offset applies to Federal employees who had a break in service > year and had 5 years of creditable service as of 12/31/1986
Retirement System

Federal Employees Retirement System (FERS)

• Congress created the FERS effective 1/1/1987

• New system for new employees, certain rehired employees & those who elected

• 3 different sources:
  • Basic Benefit Plan
  • Social Security
  • Thrift Savings Plan
Retirement System

Federal Employees Retirement System- Revised Annuity Employee (FERS-RAE)

PL 112-96, “Middle Class Tax Relief and Job Creation Act” of 2012

Beginning in 2013:

• **New** Federal employees will have to pay 2.3% higher employee contributions

• **New** Members of Congress & Congressional employees will pay the higher employee contributions and will receive the same retirement benefits as regular employees
Retirement Application

<table>
<thead>
<tr>
<th>CSRS</th>
<th>FERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRS Offset</td>
<td>FERS-RAE</td>
</tr>
<tr>
<td>Application for Immediate Retirement SF 2801</td>
<td>Application for Immediate Retirement SF 3107</td>
</tr>
</tbody>
</table>
Types Of Retirements

- Regular/Optional
- Early Retirement
- Disability
- Special Provisions
- Deferred
- Phased Retirement
### Age and Service Requirements for Regular Retirement

<table>
<thead>
<tr>
<th></th>
<th>CSRS</th>
<th>FERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td><strong>Service</strong></td>
<td><strong>Age</strong></td>
</tr>
<tr>
<td>55</td>
<td>30 years</td>
<td>MRA</td>
</tr>
<tr>
<td>60</td>
<td>20 years</td>
<td>60</td>
</tr>
<tr>
<td>62</td>
<td>5 years</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MRA</td>
</tr>
</tbody>
</table>
FERS Minimum Retirement Age

- Pre-1948
- 1948-1953
- 1953-1964
- 1965-1970+
- 1970+
Age and Service Requirements for Early Retirement

For both CSRS and FERS

<table>
<thead>
<tr>
<th>Age</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any</td>
<td>25 years</td>
</tr>
<tr>
<td>50</td>
<td>20 years</td>
</tr>
</tbody>
</table>
Additional Requirements for Early Retirement

• Early Retirement Authority, or
• Involuntary separation (except for misconduct or delinquency)
Selecting A Retirement Date

CSRS
CSRS Offset

Last day of the month
or
1st 2nd 3rd

FERS

Last day of the month
Crediting Service

WHEN you can retire

HOW MUCH you’ll get
Federal Civilian Service is normally credited from the beginning to ending date of an appointment

Exceptions
- LWOP
- WAE
- Seasonal WAE
Crediting Military Service

- Honorable, Active Duty Service
- Military Retired Pay Considerations
- Post 1956 Considerations
<table>
<thead>
<tr>
<th>CSRS</th>
<th>FERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military deposit equals 7% of base pay plus interest</td>
<td>Military deposit equals 3% of base pay plus interest</td>
</tr>
</tbody>
</table>
Civilian Service Deposits

CSRS nondeduction service performed prior to 10-01-1982

• Creditable for eligibility and computation purposes, regardless of whether or not a deposit for the service is paid

• Annuity will be reduced by 10% of deposit amount owed
Civilian Service Deposits

CSRS nondeduction service performed on or after 10-01-1982

• Creditable for eligibility, regardless of whether or not a deposit for the service is paid

• Creditable for computation only if a deposit is paid
Civilian Service Deposits

FERS nondeduction service performed prior to 01-01-1989

• Creditable for eligibility and computation purposes only if a deposit is paid

FERS nondeduction service performed on or after 01-01-1989

• Generally not creditable and a deposit cannot be made
Civilian Service Deposits

CSRS
Deposit equals 7% of earnings plus interest

FERS
Deposit equals 1.3% of earnings plus interest
Refunded Service

CSRS refunded service ending before 03/01/1991

• Creditable for eligibility and computation purposes, regardless of whether or not a redeposit for the service is paid

• Annuity will be subject to an actuarial reduction
Refunded Service

CSRS refunded service ending on or after 03/01/1991

• Generally creditable for eligibility, regardless of whether or not a redeposit is paid

• Creditable for computation only if a redeposit is paid
Refunded Service

FERS

• P.L. 111-84, Section 1904 permits individuals who are subsequently reemployed to make a redeposit of the amount refunded, plus interest, and to have credit for the service reinstated.

• For the purpose of survivor annuities, redeposits may also be made by survivors.
Crediting Unused Sick Leave
CSRS and FERS

- Sick leave may be added to the length of service used to compute an immediate annuity
- Not creditable for establishing retirement eligibility
- FERS Sick Leave
  - 50% through 12/31/2013
  - 100% after 01/01/2014
Crediting Unused Sick Leave CSRS and FERS

For FERS Retirement with CSRS Component

- 100% of sick leave at time of FERS election is added to the CSRS calculation
- Difference between total sick leave at retirement and sick leave used for CSRS component added to the FERS calculation
  - 50% until 12/31/2013
  - 100% after 01/01/2014
How Much Will I Get?

Annuity Computation
Basic Annuity

• Annuity is based on a percentage of the High 3 year average salary

• Percentage is determined by the amount of creditable service and the appropriate annuity formula
High-3 Average Salary

3 Consecutive Years

$ $ $ $ $
Basic Pay Includes:

- Regular Pay
- Locality Pay
- Night Differential for Wage Employees
- Premium Pay (for FF and LEOs)
Basic Pay Does Not Include:

- Bonuses
- Overtime
- Allowances
- Special Pay for Recruiting and Retention Purposes
General Formula

CSRS

1.5% \times 5 \text{ years} + 1.75\% \times 5 \text{ years} + 2\% \times \text{service over 10 years}

Retirement Factor

FERS

1\% \text{ or } 1.1\% \times \text{years of service}

Retirement Factor
General Formula

30 Years Total Service

1.5% x 5 = 7.50%
1.75% x 5 = 8.75%
2.0% x 20 = 40.00%

= 56.25%

Retirement Factor

1 % x 30 = 30%
or
1.1% x 30 = 33%
CSRS Calculation Example

Employee has 30 years of service and their high-3 average salary is $98,000

1.5% of $98,000 ($1,470) x 5 years = $7,350
1.75% of $98,000 ($1,715) x 5 years = $8,575
2.0% of $98,000 ($1,960) x 20 years = $39,200

Basic Annuity (per year) = $55,125

or
CSRS Calculation Example

1.5% x 5 years = 7.50%
7.50% x $98,000 = $7,350

1.75% x 5 years = 8.75%
8.75% x $98,000 = $8,575

2% x 20 years = 40.00%
40% x $98,000 = $39,200

Basic Annuity (per year) $55,125
FERS Calculation Example

Employee, age 62, has 24 years of service and high-3 average salary of $98,000

1.1% of $98,000 or $1,078 x 24 = $25,872

or

1.1% x 24 = 26.4%
26.4% x $98,000 = $25,872
FERS Annuity With a CSRS Component

CSRS Part - 20 years

- 1½%
- 1¾%
- 2%

FERS Part - 10 years

- 1%
- 10% (or 11%)

36.25% + 10% (or 11%)
FERS Annuity with a CSRS Component Calculation Example

Employee, age 62, has 20 years of CSRS service, elected FERS and has 10 years FERS Service with high-3 average salary of $98,000

CSRS Component:
1.5% of $98,000 ($1,470) x 5 = $ 7,350
1.75% of $98,000 ($1,715) x 5 = $ 8,575
2.0% of $98,000 ($1,960) x 10 = $19,600

Basic Annuity = $ 35,525
FERS Annuity with a CSRS Component Calculation Example

FERS Portion:
1.1% of $98,000 ($1,078) x 10 = $10,780

Total Annuity:

$ 10,780
$ 35,525
$ 46,305 per year
FERS Annuity Supplement

- Substitutes for the Social Security part of the total FERS benefit until age 62
- Approximates the Social Security benefit earned under FERS
- Subject to earnings test
- Not subject to COLAs
FERS Annuity Supplement

To be eligible for the Supplement

- Employee must have 1 full calendar year of deductions under FERS, and
- Must qualify for an immediate, non-disability retirement (other than an MRA+10 retirement)
# Reductions Applied to Basic Annuity

<table>
<thead>
<tr>
<th>CSRS</th>
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</tr>
</thead>
<tbody>
<tr>
<td>• Age</td>
<td>• If CSRS component, Age</td>
</tr>
<tr>
<td>• Non-Deduction Service</td>
<td>• MRA + 10 Age</td>
</tr>
<tr>
<td>• Survivor Annuity Election</td>
<td>• Survivor Annuity Election</td>
</tr>
<tr>
<td>• Refunded Service</td>
<td></td>
</tr>
<tr>
<td>• CSRS Offset</td>
<td></td>
</tr>
</tbody>
</table>
CSRS Age Reduction

- Permanent Reduction
- Equals 2% for each full year under age 55
- Applies to CSRS annuities or FERS annuities with a CSRS component
FERS Age Reduction

- Applies if the employee retires on an MRA + 10 retirement
- Employee begins receiving annuity before age 62
- Permanent reduction equals 5% for each full year under age 62
Reduction for Survivor Annuity

Applies if an employee

- Elects a survivor annuity for a spouse and/or former spouse
- Has a former spouse entitled to a survivor annuity based on a valid court order, and/or
- Elects to provide someone with an insurable interest annuity
Survivor Annuity Reduction

<table>
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<tbody>
<tr>
<td>2 1/2 % x $3600 + 10 % x Amount of base in excess of $3600</td>
<td>Full survivor annuity (50%) 10% of annuity</td>
</tr>
<tr>
<td>Survivor receives 55% of the base elected by retiree</td>
<td>Partial survivor annuity (25%) 5% of annuity</td>
</tr>
</tbody>
</table>
Insurable Interest

• A person who has a reasonable expectancy of financial benefit in the continued life of the employee

• Reduction to provide a survivor annuity to someone with an insurable interest ranges between 10 and 40%
Insurable Interest

- New regulations effective July 20, 2012
- Presumed Insurable Interest for Same Sex Domestic Partners
- The modification of the pre-existing rule now includes same-sex domestic partners in the class of persons presumed as having an insurable interest in the continued life of the employee/retiree
Other Reductions

CSRS Offset

Social Security benefit
minus
Social Security benefit computed without CSRS Offset service
Maximum Annuity

CSRS
• 80% of the high-3 average salary
• Equivalent to 41y and 11m service
• 35 years of LEO/FF service
• Limit may be exceeded with unused sick leave credits

FERS
There is no maximum annuity under FERS
Returning to Government Work After Retirement

Generally, annuity continues and salary is offset by amount of annuity

Exceptions (CSRS)
- Disability annuitants
- Dual comp waivers
- DSR
- Presidential appointments

Exceptions (FERS)
- Disability annuitants
- Dual comp waivers
# Cost of Living Adjustments (COLAS)

<table>
<thead>
<tr>
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<th>FERS</th>
</tr>
</thead>
</table>
| • Begins the first December after retirement  
• First COLA is prorated | • Generally not applied until the December after age 62 |

**Exceptions**
- Disability
- LEO/FF
- ATC
Cost of Living Adjustments (COLAS)

<table>
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</tr>
<tr>
<td></td>
<td>• 0-2% the COLA equals the CPI increase</td>
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<td>• 2-3% the COLA equals 2%</td>
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<tr>
<td></td>
<td>• Over 3% the COLA equals the change in the CPI - 1</td>
</tr>
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</table>

CSRS

Equals the percent change in the CPI

FERS

If the percent change in the CPI is:

• 0-2% the COLA equals the CPI increase
• 2-3% the COLA equals 2%
• Over 3% the COLA equals the change in the CPI - 1
More Information

Sign up to receive the BenefitsInfo listserv emails!

Log into the OPM webpage at:

http://apps.opm.gov/Listserv_Apps/list-sub.cfm
Questions