EMPLOYEE RETIREMENT INFORMATION PAMPHLET

Information for Prospective Retirees

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I. **INTRODUCTION**

For many employees approaching retirement, the retirement application process may seem like a mystery. They often do not know what happens after they turn in their retirement application to their human resources office—except that they will receive the first check from the Office of Personnel Management (OPM) in about 4 to 8 weeks. Many do not realize that their first 3 or 4 annuity payments will probably be interim payments that could be as much as 25 percent less than their actual annuity will be. The purpose of this pamphlet is to provide information you should know about the retirement application process and your retirement benefits.

II. **THE RETIREMENT PROCESS**

The steps outlined below describe the process from early planning through receipt of your first full annuity payment.

1. Within a year of your planned retirement date, if not earlier, you should work with your servicing human resources office (HRO) to get a retirement estimate using the FRB Web.

2. To apply for retirement, CSRS or CSRS Offset employees should use form SF 2801—*Application for Immediate Retirement*. FERS employees should use form SF 3107—*Application for Immediate Retirement*. Your HRO can help you get these forms.

3. All employees enrolled in the Federal Employees’ Group Life Insurance Program must complete an SF 2818 - *Continuation of Life Insurance as an Annuitant or Compensationer*. This form notifies OPM of the amount of life insurance you want to continue in retirement.

4. Work with your HRO to get your completed forms to them approximately 30-45 days prior to your planned retirement date, or as agency policy dictates.

5. The HRO completes the forms for which it is responsible, verifies your military and Federal civilian employment history, and prepares a complete application package.

6. The complete application package is then forwarded to your servicing payroll office. The payroll office closes out your payroll record, verifies for OPM your contributions to the retirement fund, calculates your lump sum leave payment, and completes other payroll-related actions.

7. Your servicing payroll office then forwards the application package to OPM. It could take 2 to 4 weeks for your HRO and payroll office to complete their work on your retirement application package and send it to OPM.

8. OPM makes a final determination on your retirement eligibility. Once OPM confirms your eligibility, they will send you interim annuity payments until your annuity calculations are finalized. Interim payments are usually about 75 to 80 percent of your estimated final annuity. On average, interim payments are authorized within a week after OPM receives the retirement package from your servicing payroll office.
9. You should receive your first interim payment approximately 4 to 8 weeks after you retire. You will receive a CSA number from OPM that identifies your application. You should always have your CSA number available when contacting OPM regarding your annuity. If you do not begin receiving interim payments after 4 weeks, but have received your CSA number, you should contact OPM to find out the status of your claim. See instructions in section XI for how to do this. If you’ve received neither interim payments, nor a CSA number after 6 to 8 weeks, you should contact your agency’s HRO for assistance.

10. Your interim payments are subject to Federal income tax withholding. No premiums will be withheld for health or life insurance although these benefits continue. Your insurance carriers will be notified by OPM that your enrollments have been transferred to the retirement system. Interim payments continue until your retirement claim is finalized by OPM.

11. Once OPM finalizes your annuity claim you will receive an adjustment payment that represents the difference between any unpaid accrued annuity minus health and other insurance premiums, and other appropriate deductions. You will receive a personalized statement titled Your Federal Retirement Benefits, which provides information on your monthly annuity payment amounts.

12. You will be assigned a Personal Identification Number (PIN) for using OPM’s Services Online to make changes to your annuity account such as bank and home addresses, tax withholding, health and other insurance enrollments, etc.

13. Your regular annuity payments will begin on the first business day of the following month.

III. THE BEST DAY TO RETIRE

The day you select to voluntarily retire may depend on whether you are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Like most retirees, you may want your annuity payments to begin the day after you retire. Whether you are a CSRS or a FERS employee, if you retire on the last day of the month, your annuity will begin the next day—the first day of the month after the month in which you retire. You have a little more latitude in selecting a retirement date if you are a CSRS employee since you can separate on the 1st 2nd or 3rd of the month and your annuity will begin the next day.

You may still retire on any other day of the month, but your annuity will not begin until the first day of the following month. The month in which you retire depends on your personal circumstances, which we will discuss later in this article.

You might also want to consider the rules regarding lump sum annual leave payments in your election of a retirement date. If you retire after January 1st, but before the end of the leave year (usually the weekend following January 1st) you can receive a lump sum annual leave payment for the leave you carried over from the previous year (generally 240 hours), plus all of the leave you earned in the current year, a maximum of 208 hours. In addition, this payment will be based on the new salary rates that take effect at the beginning of the first full pay period in every January. Your lump sum leave payment may provide a significant financial cushion while you wait for your retirement annuity payments.

Another advantage to retiring on the last day of December, (or for CSRS employees on January 1st, 2nd or 3rd) is that your lump sum annual leave payment will be paid in the first year of your
retirement when your income is lower and you are likely in a lower tax bracket resulting in less federal and state taxes.

If you are due a within-grade increase, award or bonus, you may wish to continue working until you receive this additional compensation. Generally, agencies cannot make these kinds of payments to former employees.

If you have decided to retire, you should check with your human resources office to find out about any agency requirements. Some agencies ask that prospective retirees submit their retirement application at least 90 days before their retirement. In addition, if you haven’t already, you probably should attend an agency sponsored Pre-retirement seminar. Financial counselors recommend that employees attend a Pre-retirement seminar at least five years before retirement. However, if you have not attended a Pre-retirement seminar within the five years prior to your retirement, it is not too late. You may learn of something that affects your retirement decision.

IV. **COST-OF-LIVING ADJUSTMENTS (COLAS)**

COLAs are authorized by law and serve to increase your annuity to maintain purchasing power due to inflation. Under current law, the amount of the COLA depends on the increase in the Consumer Price Index (CPI). COLAs are effective on December 1st and paid in the January annuity payment. When you receive a COLA, OPM will send you a statement showing the increase in your annuity.

For CSRS retirees, the COLA for the first year of retirement is prorated by using the following formula:

\[ \text{COLA rate} \times \text{number of months on annuity rolls/12} = \text{Prorated COLA} \]

Example: If Joan retires on December 31, 2008, she will receive a prorated COLA on December 1, 2009. If the COLA is 3% she will receive the 11/12 of the COLA because she was on the annuity rolls for 11 months prior to the effective date of the COLA. If she retires on January 3, 2009, she will receive only 10 months of the COLA, or 10/12s of 3%, which is 2.50%.

FERS retirees do not receive a COLA until age 62, unless they are retiring under the special provisions applicable to law enforcement officers, firefighters, air traffic controllers, and military technicians, in which case their first COLA is prorated. The amount of the COLA varies for FERS retirees, as follows:

- If the CPI is 3% or more, the COLA increase is CPI minus 1%.
- If the CPI is 2% or less, FERS retirees receive the full COLA.
- If the CPI increase is more than 2%, but no more than 3%, the COLA is 2%.

V. **INCOME TAX AND YOUR ANNUITY**

Except for a small tax-free portion, your Federal annuity is fully taxable for Federal tax purposes. Because you already paid Federal income tax on your retirement contributions, you are entitled to receive those contributions as tax-free. The tax-free portion of your annuity
based on estimates of how long it will take you to recover your contributions to the retirement system and whether you elected a survivor benefit. OPM will inform you of the tax-free portion of your annuity each year on the form 1099R, which they will send you every January.

You are not required to have income tax withheld from your annuity. However, you must pay Federal taxes during the year either by making quarterly estimated payments or by withholding taxes from other income. If you do not provide income tax withholding information with your retirement application, OPM will withhold taxes as if you are married and claiming three allowances. To ensure the correct withholding, you should submit a form W-4P titled Withholding Certificate for Pension and Annuity, with your retirement package. If you wish to adjust your Federal tax withholding after your claim is finalized, you can do so using OPM’s Services Online. Information about the taxation of your annuity is explained in IRS Publication 721, Tax Guide to U.S. Civil Service Benefits, which may be obtained free by calling 1-800-TAX-FORM, or through the IRS website (www.irs.gov).

OPM does not automatically withhold state income tax. If you wish to have state income tax withheld from your annuity, you must notify OPM when you want to start, stop, or change your state tax withholding. You can also do this yourself using OPM’s Service Online.

OPM has agreements with some states to allow the withholding of state income taxes from annuity payments. If your state does not have an agreement with OPM, then OPM’s computer system will not accept a request to withhold state tax. For additional information, visit OPM’s website at https://www.opm.gov/retire/annuity/tax/taxlist.asp.

VI. THE LUMP SUM ANNUAL LEAVE PAYMENT

- The lump sum leave payment is based on the rate of pay you receive at the time of separation.
- You are also entitled to an adjustment to your lump sum leave payment whenever the pay you would have received during your projected leave period increases. For example: If a pay adjustment is effective January 2nd, any projected annual leave on and after that date would be paid at the higher pay rate.
- Social Security (if applicable), Medicare, Federal, and State taxes are deducted from the lump sum leave payment.

As discussed in Section III, The Best Day to Retire, some consideration should be given to your date of retirement if you expect to receive a large lump sum payment for annual leave. Taxes are applicable to lump sum payments in the year in which you receive the money. For example, an employee retiring September 30th could incur a larger tax burden by collecting almost a full year’s salary plus a large lump sum payment for unused annual leave.

Leave can only be earned during complete pay periods (when you have completed your scheduled tour of duty). Retiring on any day of a pay period, except the last day, will prevent you from earning annual leave for that pay period. Thus, your lump sum payment could be less than you had anticipated.
VII. CREDIT FOR SICK LEAVE IN YOUR ANNUITY

Recent legislation provides credit for unused sick leave for employees retiring under FERS, whether they are automatically FERS, or elected FERS. The total of your creditable civilian and military service is combined with your allowable unused sick leave to calculate the length of your service for annuity computations purposes.

- FERS employees retiring between October 28, 2009 and December 31, 2013 are allowed credit for 50% of their unused sick in the computation of their retirement annuity.
- FERS employees retiring on or after January 1, 2014 are allowed credit for 100% of their unused sick leave.
- CSRS employees (including CSRS Offset), regardless of their retirement date, are allowed credit for 100% of their unused sick leave.
- The total length of service includes full years and full months (excluding the days). Sick leave cannot be used to meet the minimum length of service for retirement eligibility.
- If you elected FERS, and you have a CSRS annuity component, you will receive credit for sick leave in your CSRS portion of the annuity computation, based on the lesser of:
  1. the amount of sick leave at the time of retirement, and
  2. the amount of sick leave when FERS was elected.
- Only sick leave not available for your CSRS component is available for credit in your FERS component.

VIII. YOUR BENEFITS IN RETIREMENT

Health Insurance

- If you are eligible for an immediate annuity, health insurance continues if you have been covered by your own enrollment in Federal Employees Health Benefits Plan (FEHB) (or covered as a family member under another’s FEHB enrollment) since first eligible to elect FEHB or for five continuous years immediately prior to the date of your retirement. Coverage under TRICARE is qualifying to meet the five years continuous coverage requirement.
- The cost and coverage remain the same as it does for active employees.
- As an annuitant, you may still participate in the annual FEHB open season. OPM will notify you of the open season and send you a plan comparison of major providers that lists the changes in benefits and costs.
- At age 65, you become eligible for Medicare and Medicare becomes the primary payer for your health care expenses. FEHB becomes the secondary payer. Even though Medicare becomes primary, you still may need to keep your FEHB coverage because there are items that Medicare does not cover. Further, once Medicare becomes primary, your FEHB plan will normally waive co-payments.
• You may register for Medicare by contacting your local social security office up to three months before your 65th birthday.

• It is very important for you to know that your spouse is eligible to continue FEHB coverage ONLY if you elect to provide a survivor annuity at the time of retirement and you are enrolled in self and family coverage the time of your death. The exception to this rule is if your spouse is also a Federal employee and enrolled in FEHB.

**Life Insurance**

**Basic Insurance**
Your Basic life insurance coverage will continue in retirement provided you have had coverage since the first opportunity to enroll or for five continuous years immediately preceding the date of your retirement. You must continue your Basic life insurance in order to keep any type of the Optional coverage. As a retiree, you will have three options:

(1) **75% Reduction**: The amount of your insurance will reduce by 2% per month after the age 65 to a minimum of 25% of your basic insurance amount (BIA) at the time of your retirement.

(2) **50% Reduction**: The amount of your insurance will reduce by 1% per month after age 65 to a minimum of 50% of your BIA at the time of your retirement.

(3) **No Reduction**: The amount of your insurance will equal 100% of your BIA at the time of your retirement and is retained after age 65. Costs will increase as you grow older. (See [www.opm.gov/insure](http://www.opm.gov/insure) for additional information.

* After age 65 (or retirement if later), you will continue to pay premiums for life insurance unless you cancel or elect 75% Reduction.

**Optional Insurance**
Optional life insurance coverage can be continued in retirement provided you have had coverage since the first opportunity to enroll or for five continuous years immediately preceding the date of your retirement. You will continue to pay the full cost of Optional insurance in retirement just as you did while employed. Below is a description of your optional life insurance benefits following retirement:

(1) **Option A- Standard**: Effective at the end of the month following the month you reach age 65 (or the month after your retirement if later), this option will reduce by 2% of the pre-retirement amount per month until it reaches 25% of the pre-retirement amount. After age 65 (or retirement if later), premiums are no longer withheld.

(2) **Option B- Additional**: You may elect either full reduction or no reduction for each individual multiple in which you are enrolled. For instance, if you are enrolled in 3 multiples (3 times your salary rounded up to the next 1,000), you may elect the full reduction for 2 of the multiples, and no reductions for the 3rd. If you elect full reduction until you reach age 65 (or retirement if later), premiums (based on age) will be withheld.
from your annuity at the same rate as active employees. After age 65 (or retirement if later), there is no cost, but the insurance value begins to reduce by 2% per month for 50 months, at which time this coverage will end. If you elect no reduction, you will continue to pay premiums at the same rate as active employees (based on age) and you will retain the full amount of your Option B Additional insurance.

(3) **Option C- Family:** You may elect either full reduction or no reduction for each individual multiple ($5,000 for your spouse, $2,500 for each child) in which you are enrolled. For instance, if you are enrolled in 3 multiples, you may elect the full reduction for 2 of the multiples, and no reductions for the 3rd. If you elect full reduction until you reach age 65, premiums (based on age) will be withheld from your annuity at the same rate as active employees. After age 65, there is no cost, but the insurance value begins to reduce by 2% per month for 50 months, at which time this coverage will end. If you elect no reduction, you will continue to pay premiums at the same rate as active employees (based on age) and you will retain the full amount of your Option C Family insurance.


**Federal Long-Term Care Insurance Program (FLTCIP)**

- FLTCIP is a portable insurance program. Therefore, if you are currently covered by the program, your coverage will continue in retirement as long as you pay the premiums.

- You will need to make arrangements with LTC Partners to ensure premiums are not interrupted. Premiums may be withheld from your annuity payment or you may make premium payments directly to the FLTCIP.

- If you are not currently covered by LTC, you may apply for this coverage directly with LTC via their website at www.ltcfeds.com. You are subject to full underwriting which means LTC may require detailed health information. Applications may be submitted at any time.

**Flexible Spending Account (FSA)**

- If you retire before the end of the Benefit Period, the balance in your Dependent Care FSA (DCFSA) and Health Care (HCFSA) accounts are treated differently.

- Your HCFSA will terminate as of your retirement date. There are no extensions. Any health care expenses incurred prior to the date of separation will still be reimbursable, but those incurred after the day of retirement will not.

- You may continue to use the remaining balance in your DCFSA to pay for eligible dependent care expenses until the end of the benefit period or until your account balance is used up, whichever comes first.
• Balances remaining in the two accounts cannot be disbursed to you through a lump sum payment. For additional information on the FSA refer to www.fsaFeds.com or call 1-877-372-3337.

Federal Employees Dental and Vision Insurance Program (FEDVIP)
• As an annuitant, you may continue to participate in FEDVIP and enroll or cancel enrollment during the FEHB open season.

• If you are currently covered by FEDVIP, your coverage will continue. You must notify BENEFEDS when you retire and arrange to have the premiums withheld from your annuity. The quickest way to make arrangements is via the website at www.BENEFEDS.com. If you do not have access to a computer, you can call 1-877-888-FEDS (3337), TTY 1-877-889-5680.

• As a reminder, if you are not covered by FEDVIP when you retire, you may enroll during the next FEHB open season.

Thrift Savings Plan (TSP)
• If you are enrolled in TSP when you retire, you will be given information about the options available regarding your TSP account.

• You are not required to make a decision about your TSP at the time of retirement, but you will have to take required minimum distributions from your TSP account by April 1st of the year following the year you reach age 70½ (or following the year you separate, if you are already over age 70½ when you leave Federal service). If you do not make a withdrawal by the required deadline, your TSP account will be paid to you in the form of an annuity, as required by law.

• You must be separated for at least 31 days before you are eligible to withdraw any TSP funds.

• You may choose to leave your money in your TSP account. By doing so, your account will continue to grow and you will continue to have the opportunity to make interfund transfers.

• You can no longer make contributions to your TSP account after you retire. However, as long as you have an open account, you can transfer funds into your TSP account from an IRA or eligible employer plan.

TSP provides 3 ways to withdraw money from your account:

(1) You can make a partial withdrawal from your account in a single payment.

(2) You can make a full withdrawal from your account by any one or any combination of the following methods: a single payment, a series of monthly payments, and/or a life annuity.
(3) You may transfer your entire fund in a single or in a series of monthly payments to a traditional Individual Retirement Account (IRA) or eligible employer plan.

You should obtain a copy of the booklet Withdrawing Your TSP Account after Leaving Federal Service for the information on choosing the best course of action regarding your TSP savings. This booklet as well as other informational materials and forms can be found at www.tsp.gov.

Please be sure that the TSP Service Office always has your current address. Your Participant Statements will continue to be available on the TSP website, or if you prefer you can request TSP to mail your personal Participant Statement. For up-to-date information, refer to the TSP Highlights found on the TSP website at www.tsp.gov or call 1-877-968-3778.

IX. PERMANENT ADDRESS

Many people move after retirement. When completing the retirement application, the address should be the address where you will be residing after retirement. OPM will continue to send correspondence and tax withholding information (Form 1099R) to the address on your retirement application until you notify them of a change of address.

X. DIRECT DEPOSIT

Direct deposit information is requested on your retirement application. You should complete this information to receive your monthly annuity. If you have direct deposit for your Federal salary payments as an employee and your agency transmits your retirement package to OPM electronically, OPM will send your interim and final annuity payments to that account. If you want your annuity payments sent to a different account, complete the direct deposit information in Section H of your retirement application. OPM will send your annuity payment to that account when they begin paying you your final annuity.

All Federal payment recipients are required to sign up for direct deposit. The only exception is for those who invoke their legal right to a waiver of the Direct Deposit requirements of Public Law 104-134, because receiving payments electronically would cause a financial hardship or hardship because of disability, or because of geographic, language or literacy barrier.

XI. CONTACTING OPM

Once you receive your CSA number, you may contact OPM by calling their Retirement Information Office toll-free number at 1-888 US OPM RET (1-888-767-6738). Customers within the Washington, DC calling area can call (202) 606-0500. Hearing impaired customers can call 1-800-878-5707 (TDD). When you call, you can use the automated phone system (available 24 hours a day, seven days a week) or talk to a Customer Service Specialist Monday through Friday from 7:30 a.m. to 7:45 p.m. (Eastern time).

To use the automated phone system, you will need to have your CSA number and your PIN. If you misplace your PIN, you can obtain a new one by calling a Customer Service Specialist. They will arrange to have a new PIN mailed to you. You can use the automated system to conduct the following transactions:
• Report a missing payment
• Change your address
• Change Federal and State income tax withholding amounts
• Request verification of your income
• Request the current value of your life insurance
• Request verification of the survivor benefits you are providing
• Request retirement forms and brochures

OPM is continually adding features to its customer service systems that allow you to take actions independently. The automated features are not available to callers using a rotary telephone. Rotary phone callers would need to speak to a Customer Service Specialist instead. You can also contact OPM through their online web service at https://www.servicesonline.opm.gov. OPM’s main retirement web site is at www.opm.gov/retire.

If you need to write to OPM regarding issues related to your annuity or benefits after retirement, the mailing address is:

U.S. Office of Personnel Management
Retirement Operations Center
Post Office Box 45
Boyers, PA 16017

You may be interested in signing up for OPM’s automated email updates called Fed-Retire. This automated email distribution sends out information about changes and enhancements to OPM’s program and services. Information will be sent automatically via email about new retirement-related postings. To subscribe, visit https://www.servicesonline.opm.gov.