NALC

A Guide to Retirement for NALC Activists

William H. Young
President

Donald T. Southern
Director of Retired Members

RETIREMENT MANUAL

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Retirement Department
National Association of Letter Carriers, AFL-CIO
100 Indiana Ave., NW
Washington, DC
20001-2144

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NALC

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Dear NALC Activist:

We are happy to provide you with this electronic version of the revised and updated 2006 *NALC Retirement Manual,* an educational publication from the union's Retirement Department.

This manual, first published on paper in 2004 and updated with revisions in January, 2006, provides vital, in-depth information for letter carriers planning to retire in the near future, and for more junior employees who are planning ahead to provide a comfortable future for themselves and their families. It is intended to be used along with NALC's shorter booklets on retirement subjects: *Questions & Answers on the Civil Service Retirement System, Questions & Answers on the Federal Employees' Retirement System, and the Survivor's Guide to CSRS, FERS, and Social Security.*

This publication could not come at a better time, for the world of retirement is changing for letter carriers. FERS employees will soon begin to retire in large numbers. In addition, the Postal Service has begun to outsource many of its personnel functions. This may make it more difficult for members to avail themselves of vital individual retirement counseling and necessary retirement information.

We hope you find this manual helpful in your efforts to serve NALC's current and future retirees.

Sincerely,

William H. Young
President

Donald T. Southern
Director of Retired Members

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Includes January 2006 Revisions

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RETIREMENT MANUAL 1

PLANNING FOR RETIREMENT

1 Planning for Retirement

Retirement planners teach that the first day of employment is the right time to start preparing for retirement. This chapter covers many important steps that current employees should take as they approach retirement age.

This chapter contains selected documents about retirement planning provided by the Office of Personnel Management. There are two types of documents, both from OPM's website, www.opm.gov. First, there are Frequently Asked Questions (FAQs) on various topics. Second, the chapter includes excerpts from the *CSRS and FERS Handbook for Personnel and Payroll Offices,* a three-volume manual of information used by professionals in postal and federal human resource offices.

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A. Planning for Retirement in Five Years (FAQs)

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E. Checklist for Employees Preparing to Retire (CSRS & FERS Handbook Chapter 40, Planning and Applying for Retirement, pp. 69-73)

More Information

See NALC's booklet, *Preparing for Retirement.*

Also see the OPM website, www.opm.gov. To find the CSRS & FERS Handbook, on the OPM home page choose HR Tools and Resources>Benefits and Retirement>CSRS and FERS Handbook for Personnel and Payroll Offices.

Planning for Retirement in Five Years

Retirement information is available to you on demand. Find information about the Federal retirement programs, make changes to the withholdings from your monthly annuity payment, calculate special options, or request specialized services.

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Here are answers to frequently asked questions about planning for retirement in five years.

How do I begin planning for retirement?
What will my employer do to help me plan for retirement?
When should I begin planning for retirement?
When can I keep my heath insurance benefits after I retire?
Can the requirements for continuing health insurance coverage be waived?
What are the requirements to keep life insurance in retirement?
Can the requirements for continuing life insurance be waived?
What should I do about my service?
What should I do about Social Security?
What is the Government Pension Offset?
What is the Windfall Elimination Provision?
Can I estimate the amount of the Windfall Elimination Provision reduction?

How do I begin planning for retirement?

You should begin planning several years before the date you have set for retirement so that you will know what is required to continue certain benefits into retirement. There are many factors related to retirement planning, and it is literally never to early to begin. The federal annuity is only one element to consider in today's complex financial scene. You may need to start a Thrift Savings Plan or IRA schedule many years before considering actual retirement. Other considerations, such as Social Security may affect your benefits.

However, the best place to begin is with your local personnel service center. They can provide personalized assistance and they have your employment records.

Your health and life insurance coverages are of immediate concern now because you must carry coverage continuously for at least five years before your retirement or your may be ineligible to continue them.

What will my employer do to help me plan for retirement?

Your agency will guide you through the retirement process, supplying all of the information you need about retirement and insurance. They provide the information you need to plan for retirement, but should not advise you on what to do. You should contact your local personnel service center for assistance because they have your employment records.

When should I begin planning for retirement?

The five year period before retirement is important because you must have insurance coverage for five years immediately before retirement to keep it after retirement.

You may also need some preliminary information to make decisions about when you can afford to retire and whether to make any necessary payments to receive credit for military or non-contributory service or repay any retirement contribution refunds.

When can I keep my heath insurance benefits after I retire?

You may continue your heath insurance coverage only if you meet the following conditions:

Your annuity must begin within 30 days or, if you are retiring under the Minimum Retirement Age (MRA) plus 10 provision of the Federal Employees Retirement System (FERS), health and life insurance coverages are suspended until your annuity begins, even if it is postponed.
You must be covered for health insurance when you retire.
You must have been continuously covered by the Federal Employees Health Benefits Program, TRICARE, or the Civilian Health and Medical Program for Uniformed Services (CHAMPUS):
for five years immediately before retiring;or,
during all of your federal employment since your first opportunity to enroll;or,
continuously for full periods of service beginning with the enrollment that started December 31, 1964.

Can the requirements for continuing health insurance coverage be waived?

We have the authority to waive the five-year participation requirement when it is against equity and good conscience not to allow an individual to participate in the health insurance program as a retiree. However, the law says that a person s failure to meet the five-year requirement must be due to exceptional circumstances. When someone is retiring voluntarily, a waiver may not be appropriate because he or she can continue working until the requirement is met. When circumstances under these conditions otherwise warrant a waiver, we will notify the individual s employer.

What are the requirements to keep life insurance in retirement?

You can keep your basic life insurance in retirement if all of the following conditions are met:

You have coverage when you retire;
You have not converted coverage to an individual policy;
Your annuity must begin within 30 days or, if you are retiring under the Minimum Retirement Age (MRA) plus 10 provision of the Federal Employees Retirement System (FERS), health and life insurance coverages are suspended until your annuity begins, even if it is postponed; and,
You were insured for life insurance for the five years immediately preceding retirement or the full periods of service when coverage was available.

You can keep your optional life insurance in retirement if all of the following conditions are met:

You are eligible to continue your basic coverage; and,
You were covered by the optional life insurance for the five years immediately preceding retirement or the full periods of service when coverage was available, if less than five years.

Can the requirements for continuing life insurance be waived?

No. We have no authority to waive the requirements for continuing life insurance coverage. If you are not eligible to continue it, you will be given the chance to change it to an individual policy.

What should I do about my service?

You should review your Official Personnel Folder (OPF) to make sure that there is verification of all of your military and civilian service. If any of the records are missing, your employer should help you document the service and obtain any

missing records.

If you have civilian service for which you must pay retirement contributions or repay a refund of contributions, your employer should tell you about what impact payment or non-payment has on your eligibility and the amount of your retirement benefit.

If you owe a payment to receive credit for military service you performed after 1956, you must make that payment before you retire. If you are receiving military retired pay, you should discuss whether or not you must waive the retired pay with the personnel officer at your agency.

Your personnel officer can also tell you about receiving credit in your annuity computation for various types of service and about the payments described above, as well as help you with service documentation.

What should I do about Social Security?

You should ask for a form SSA-7004-PC, *Request for Earnings and Benefit Estimate Statement*, from your local Social Security Office or visit their web site at http://www.ssa.gov. If you submit this form, you will get a statement that provides information on your future eligibility for Social Security benefits and estimates of these benefits at specified dates. These estimates do not reflect any reduction for the Government Pension Offset or the Windfall Elimination Provision (WEP).

What is the Government Pension Offset?

Some of an employee s spousal Social Security benefit may be offset if the employee has a government pension from work not covered by Social Security. The offset does not apply to the employee s own Social Security benefit, only the benefit that comes from a spouse s employment. If the Government Pension Offset applies, the spousal Social Security benefit will be reduced by two-thirds of any Federal pension based on employment not covered by Social Security.

Some employees are exempt from the Government Pension Offset. They are employees who are automatically covered by the Federal Employees Retirement System (FERS), Civil Service Retirement System (CSRS) Offset, and those who elected to transfer to the FERS before January 1, 1988, or during the belated transfer period which ended June 30, 1988. Employees who were covered by the CSRS and who elected FERS coverage after June 30, 1988 must have five years of Federal employment covered by Social Security to be exempt from the offset.

What is the Windfall Elimination Provision?

If you receive a Federal pension and are also eligible for Social Security benefits based on your own employment record, a different formula may be used to compute your Social Security benefit. This formula will result in a lower benefit. The Windfall Elimination Provision affects workers who reach age 62 or become disabled after 1985 and are first eligible after 1985 for a Federal pension.

The Windfall Elimination Provision does not apply if:

- You were eligible to retire before January 1, 1986; or,
- You were first employed by the government after December 31, 1983; or,
- You have 30 or more years of substantial earnings under Social Security.

Can I estimate the amount of the Windfall Elimination Provision reduction?

At your request, using the form SSA-7004, the Social Security Administration will send you a Personal Earnings and Benefits Statement (PEBES) that will list your earnings from employment covered by Social Security and provide a Social Security benefit estimate assuming retirement at alternative ages, 62, 65, and 70.

You should contact your local Social Security office to determine the effect of the Government Pension Offset and the Windfall Elimination Provision on your Social Security benefits.

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One Year before Retirement

Office of Personnel Management - Frequently Asked Questions #10

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What documentation should be in the Official Personnel Folder (OPF)?
Are there other records I should check?
What records are needed for my health benefits?
What records are needed for my life insurance?
What can I do if I am eligible to continue my health benefits coverage but my retirement payment will not cover the cost of my premium?
How do I make a payment to receive retirement credit for my military service after 1956?
I worked for a time when retirement deductions were not withheld from my pay. Will I still get retirement credit for that time?
I got a refund of the retirement deductions that were withheld from my pay. Will I still get retirement credit for that time?
How do I make a payment to get credit for service?
How do I know if I can retire on the date I picked?
How do I plan to provide benefits to my survivors after my death?
What is a Minimum Retirement Age (MRA) plus 10 annuity under the Federal Employees Retirement System (FERS)?
What happens if I postpone the Minimum Retirement Age (MRA) plus 10 annuity?
What are voluntary contributions?
How will I receive credit for my voluntary contributions?
What annuity estimates do I need?
Will I receive a cost-of-living adjustment?
I am covered under the Civil Service Retirement System (CSRS) subject to offset due to Social Security eligibility. This coverage is known as CSRS-Offset. How does the offset affect the computation of my benefit?
Will I get paid for my unused annual leave?
How will workers compensation affect my civil service annuity?
What withholdings will be taken from my retirement payments?

What steps should I take when I get close to retiring?

When you get within one year of retirement eligibility , you should:

Confirm when you will be eligible to get a retirement benefit;
Decide when you want to retire;
Get information about other benefits to which you may also be eligible, such as Thrift Savings Plan payment options and any other entitlements based on employment, for example: Foreign Service, Social Security, pensions from private industry, and Individual Retirement Accounts (IRA). You should have a fairly comprehensive picture of all sources of your retirement income and when each is payable.

http://www.opm.gov/retire/html/faqs/faq10.html

Tell your supervisor about your proposed retirement date. You should give sufficient notice to allow for planning for someone to take your place.
Attend a pre-retirement counseling seminar.
Make an appointment with your personnel officer to review your Official Personnel Folder (OPF) or its equivalent to make sure all your records are complete and accurate, all service is verified, and your insurance coverage is documented.

What documentation should be in the Official Personnel Folder (OPF)?

The beginning and ending dates for each period of employment which will be used for your benefit computation;
The effective dates for each promotion or within-grade increase during the period that will be used to compute your high-3 average salary ;
The dates of pay changes or earnings and the pay rate, during employment periods when retirement deductions were not withheld from your salary;
The tour-of-duty during any part-time employment (if you worked more hours than the official tour-of-duty, document the hours actually worked.);
A record of time actually worked during intermittent or "when-actually-employed" service; and,
Documentation of the dates of military service.
If any service is not verified or any of the required documentation is missing, you should obtain assistance from your personnel officer.

Are there other records I should check?

You should review your designation of beneficiary for the lump sum payment of retirement contributions when no one is eligible for monthly payments. This designation is made on a Standard Form 2808 for the Civil Service Retirement System (CSRS) or a Standard Form 3102 for the Federal Employees Retirement System (FERS). Make sure the form shows the person or people you want designated. If a copy is not available to review, you may wish to file a new designation.

If you transferred to FERS, any prior designation you made for CSRS coverage is canceled. You may wish to file a FERS designation. If you were automatically transferred to FERS coverage from CSRS, your designation will remain in force.

If there is no designation of beneficiary, benefits will be paid in the following order:

Your widow or widower.
Your children in equal shares.
Your parents in equal shares.
Your appointed executor or administrator of your estate.
Your next of kin under the laws of the state you reside in when you die.

What records are needed for my health benefits?

Your Official Personnel Folder should contain a record of all of your health benefits registration forms, Standard Form 2809, and, if appropriate, Standard Form 2810, Notice of Change in Health Benefits. Be sure that when you retire, your records will show a complete history of your health insurance enrollment for the last five years.

What records are needed for my life insurance?

Your Official Personnel Folder should contain a record of your current Federal life insurance coverage on a Standard Form 2817, "Life Insurance Election", and, if appropriate, your current life insurance designation of beneficiary, Standard Form 2823.

If there is no designation of beneficiary, benefits will be paid in the following order:

Your widow or widower.
Your children in equal shares.
Your parents in equal shares.
Your appointed executor or administrator of your estate.
Your next of kin under the laws of the state you reside in when you die.

What can I do if I am eligible to continue my health benefits coverage but my retirement payment will not cover the cost of my premium?

You can pay your premiums directly to the Office of Personnel Management. In this case, we will tell you how to make these arrangements. You should not send any payments until we do.

How do I make a payment to receive retirement credit for my military service after 1956?

You may be able to receive retirement credit for active-duty military service after 1956 if you make a payment for that service. You must make the payment before you stop working for the government. You should ask your local servicing personnel center for help in determining whether to make this payment. They can provide personalized assistance because they have your employment records.

I worked for a time when retirement deductions were not withheld from my pay. Will I still get retirement credit for that time?

That depends on when you worked and whether you are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

Make a selection from the list of circumstances below which best describes your situation and ask your local personnel service center for assistance because they have your employment records.

Deposit service ending before October 1, 1982 and covered by the CSRS.
Deposit service ending after October 1, 1982 and covered by the CSRS.

Deposit service ending before January 1, 1989 and covered by FERS.
Deposit service ending after January 1, 1989 and covered by FERS.

I got a refund of the retirement deductions that were withheld from my pay. Will I still get retirement credit for that time?

That depends on when you worked and whether you are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

Make a selection from the list of circumstances below which best describes your situation and ask your local personnel service center for assistance because they have your employment records.

Redeposit service and covered by FERS.
Redeposit service ending before October 1990 and covered by CSRS.
Redeposit service ending after October 1990 and covered by CSRS.

How do I make a payment to get credit for service?

You should apply to make a payment by completing a Standard Form 2803 if you are covered by the Civil Service Retirement System (CSRS). You should use Standard Form 3108 if you are covered by the Federal Employees Retirement System (FERS).

If you are within six months of retirement, you should submit your request to make the deposit or redeposit at the same time you submit your application for retirement. You can use a form or letter to do this. We will notify you of any amounts due so you can decide whether or not to make the payment. We cannot, however, authorize your regular annuity payments until we have your decision about the payment.

How do I know if I can retire on the date I picked?

Check with your local personnel service center to verify that you have enough service and meet the age requirements for retirement eligibility . They can provide personalized assistance because they have your employment records.

Your local personnel service center will also talk with you about the date your annuity payments can start based on the date you pick.

How do I plan to provide benefits to my survivors after my death?

Your personnel officer will review the election opportunities to provide benefits after your death to your husband or wife, ex-spouse, or another person you designate as having an insurable interest in your continuing life. If you do not provide for a monthly benefit after your death, your survivor will not be able to continue coverage under the Federal Employees Health Benefits (FEHB) program. The advisor will also cover the requirements that each survivor must meet to qualify.

When making an election to provide a benefit after your death, you must obtain your husband's or wife's written consent to provide less than the maximum benefit allowed. To designate an insurable interest, you must have a physical examination at your own expense.

You local personnel service center is the best place to begin. They can provide personalized assistance and they have your employment records.

What is a Minimum Retirement Age (MRA) plus 10 annuity under the Federal Employees Retirement System (FERS)?

This is a provision that allows you to retire with benefits beginning immediately if you have ten years of service and have reached the Minimum Retirement Age (at least 55). However, the annuity is reduced for each month you are under age 62. The reduction equals five percent per year (or 5/12 of one percent per month). To avoid the reduction, you can postpone payment. You can later apply for the benefit by writing to us or filing an "Application for Deferred or Postponed Retirement," Form RI 92-19. You should submit the form two months before you want the benefit to begin.

What happens if I postpone the Minimum Retirement Age (MRA) plus 10 annuity?

The benefit is not reduced if it begins after your 60th birthday and you have at least 20 years of service or you reach the Minimum Retirement Age and have 30 years of service. Delay of the benefit can be used to avoid all or part of the reduction for retirement before age 62 that would otherwise have been applied.
Your life insurance enrollment will stop until the annuity begins. Once the annuity begins, the life insurance coverage you had when you stopped working will resume if you are eligible .

Your health benefits can be temporarily continued under the Temporary Continuation of Coverage for 18 months. You must pay the full cost of coverage, including both the employee and government shares, plus a two percent administrative charge. Your employer will collect the premiums and maintain this coverage.

When your payments begin, if you are otherwise eligible to continue coverage , you can again enroll in the Federal Employees Health Benefits (FEHB) program and we will pay the government share of the premiums.

If you do not file an application before your death, the rights of your surviving family members would be protected because you would be considered a retiree.

What are voluntary contributions?

Voluntary contributions are payments made to the retirement fund in addition to the deductions that are withheld from pay. You can make these contributions only if you are covered by the Civil Service Retirement System (CSRS) and do not owe a deposit for a period of time when deductions were not withheld from your pay. To make voluntary contributions, you should submit a Standard Form 2804 to your employer.

You can make voluntary contributions in multiples of $25. Total contributions cannot exceed 10 percent of your pay.

You can purchase additional annuity of $7 per year for each $100 of voluntary contributions, plus 20 cents for each full year you are over age 55 when you retire. By electing to take a reduction in the additional annuity, you can also purchase additional annuity for a surviving spouse who may receive a benefit after your death.

Interest is paid on voluntary contributions at the rate three percent annually until December 31, 1984. After that date, a variable interest rate is compounded annually on December 31st until service ends or a refund is paid. View the table of variable interest rates .

How will I receive credit for my voluntary contributions?

You can use voluntary contributions you made while working under the Civil Service Retirement System to purchase additional annuity when you retire or you can withdraw the contributions in a one-time payment.

You can purchase additional annuity of $7 per year for each $100 of voluntary contributions, plus 20 cents for each full year you are over age 55 when you retire. By electing to take a reduction in the additional annuity, you can also purchase additional annuity for a surviving spouse who may receive a benefit after your death.

Most people want to withdraw their voluntary contributions in a one-time payment. If the interest due exceeds more than $200, you can roll the funds into an Individual Retirement Account (IRA) or other qualified retirement plan to defer income tax.

If you want to withdraw your voluntary contributions, you should submit either a Form RI 38-124 or Standard Form 2802 with the statement in item number seven, "I want only my voluntary contributions to be refunded to me." You can get these forms from your employer. You should submit your request at least 60 days before your expected retirement.

What annuity estimates do I need?

At your request, your employer should provide you with any of the following estimates that apply to your circumstances. However, the U.S. Office of Personnel Management determines the actual amount of the benefit that is payable based on the laws and regulations and on the certified record of your employment.

> If you receive military retired pay, an estimate of your benefit with and without credit for military service.
>
> If you are considering deposit for military service after 1956, an estimate of your benefit with and without credit for the military service you performed after December 31, 1956.
>
> If you are considering a deposit, under the Civil Service Retirement System, for federal employment before October 1, 1982, estimates of the amount of the deposit and the

amount of your benefit with and without the reduction for the deposit.

Deposit service ending before October 1, 1982 and covered by the CSRS.

If you are considering a deposit, under the Civil Service Retirement System (CSRS), for federal employment after October 1, 1982, estimates of the amount of the deposit and the amount of your benefit with and without credit for the employment period.

Deposit service ending after October 1, 1982 and covered by the CSRS.

If you are considering repaying, under the Civil Service Retirement System (CSRS), a refund of retirement contributions for employment ending before October 1990, an estimate of the amount of the redeposit and your benefit with and without the actuarial reduction taken if the redeposit is not paid.

Redeposit service ending before October 1990 and covered by CSRS.

If you are considering repaying, under the Civil Service Retirement System (CSRS), a refund of retirement contributions for employment ending after October 1990, an estimate of the amount of the redeposit and your benefit with and without credit for the employment period covered by the refund.

Redeposit service ending after October 1990 and covered by CSRS.

If you are considering a deposit, under the Federal Employees Retirement System (FERS), for federal employment before 1989, estimates of the amount of the deposit and the amount of your benefit with and without credit for the employment period.

Deposit service ending before January 1, 1989 and covered by FERS.

If you are considering providing less than the maximum annuity payable after your death to a husband, wife, or ex-spouse, estimates of the amount of the survivor's annuity and the amount of your annuity with and without the reduction for full survivor's benefit.

View information on family benefits .

If you are considering providing a survivor annuity to someone who has a financial interest in your continued life, an estimate of your benefit with and without the reduction for this election.

View information on family benefits .

If you have made voluntary contributions and can elect to purchase additional annuity with those contributions, benefit estimates with and without credit for the voluntary contributions.

View information about voluntary contributions .

If you can elect to receive the alternative form of annuity, an estimate of your benefit with and without the lump sum payment of retirement contributions.

View information about the alternative form of annuity .

For employees, under the Federal Employees Retirement System (FERS), who can elect to receive an annuity supplement, an estimate of the monthly amount payable to age 62.

Will I receive a cost-of-living adjustment (COLA)?

See information here about cost-of-living adjustments . Then, check with your local personnel service center for an explanation about how the cost-of-living increases apply to those retiring under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). They can provide personalized assistance and they have your employment records.

I am covered under the Civil Service Retirement System (CSRS) subject to offset due to Social Security eligibility. This coverage is known as CSRS-Offset. How does the offset affect the computation of my benefit?

Your benefit will be computed in the same manner as if it were not subject to offset. However, it will be reduced when you become eligible for Social Security benefits. The offset applies when the basic requirements for Social Security are met, generally at age 62, even if you do not apply for those benefits. If you are not eligible for Social Security benefits at age 62, there is no offset unless you become eligible later.

Will I get paid for my unused annual leave?

You can be paid for any unused annual leave you hold at retirement.

How will workers compensation affect my civil service annuity?

When you apply for retirement, you should list your workers compensation on your application. Generally, you cannot receive workers' compensation and civil service annuity payments at the same time. You must decide which benefit is most advantageous and elect to receive that one. If you decide to receive workers' compensation benefits, payments from the Office of Personnel Management will be suspended. If your workers compensation benefit stops, you can ask us to pay your civil service annuity.

You can continue to receive your civil service annuity payments when your workers' compensation is for a Scheduled Award. If you missed work before retirement for an on-the-job injury or illness and received workers' compensation, generally, you can receive credit for time in the computation of your civil service annuity.

What withholdings will be taken from my retirement payments?

See information about withholdings, withholding changes, and how we use your address.

Updated 29 October 1999

Planning for Retirement in Six Months

Retirement information is available to you on demand. Find information about the Federal retirement programs, make changes to the withholdings from your monthly annuity payment, calculate special options, or request specialized services.

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Here are answers to frequently asked questions about planning for retirement in six months.

How might I be indebted to my employer?
When and how do I waive my military retired pay?
What is the maximum benefit I can receive?
How do I find out if I am eligible for Medicare

How might I be indebted to my employer?

You should resolve any financial indebtedness to your agency. Examples of causes for indebtedness include:

outstanding travel advances,
overpayments of salary,
indebtedness for failure to return government property or for damage to government property, or
advanced leave.

When and how do I waive my military retired pay?

If you want to waive your military retired pay to receive credit for military service in the computation of your benefit, you should write the Retired Pay Operations Center at least 60 days before your planned retirement. Send your waiver to:

Defense Finance and Accounting Service
Cleveland Center
Retired Pay Operations
Post Office Box 99191
Cleveland, Ohio 44199-1126

You can "fax" your request to (216) 522-5237.

Suggested wording for your request is as follows:

"I (full name and military serial number) hereby waive my military retired pay for Civil Service Retirement purposes effective (the day before your annuity begins).

I hereby authorize the U.S. Office of Personnel Management to withhold from my civil service annuity any amount of military retired pay granted beyond the effective date of this waiver due to any delay in receiving or processing this request."

What is the maximum benefit I can receive?

The basic Civil Service Retirement System (CSRS) annuity cannot exceed 80 percent of your high-3 average salary, excluding your unused sick leave. Generally, you reach the 80 percent limitation when you have 41 years and 11 months of service, not including accumulated sick leave. Fewer years of service may result in a computation that produces the maximum benefit under special computation formulas such as for law enforcement personnel.

Your service beyond the years which provides the maximum benefit will not be used to compute your annuity. Instead, we will automatically refund the retirement contributions you made during those years. Interest is paid on this refund payment at the rate of three percent per year, compounded annually. You can use the refund to purchase additional annuity, as if the contributions and interest are voluntary contributions.

However, if you have federal civilian employment periods when you did not contribute to either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), we automatically apply excess contributions toward any deposit due to for these employment periods.

How do I find out if I am eligible for Medicare coverage?

You should contact the Social Security Administration at least three months before your 65th birthday to apply for benefits. The Social Security Administration will have records pertaining to your eligibility for Medicare coverage. If they do not, and you or your employer need to get a statement of your earnings for this purpose, you can write to:

General Services Administration
National Personnel Records Center
Civilian Personnel Records
111 Winnebago Street
St. Louis, Missouri 63118

You should provide the following information in your request:

- your name, as shown on your payroll records;
- date of birth;
- Social Security Number;
- mailing address;
- years for which earnings are needed;
- name and location of employer for each year;
- reason for request;
- written signature; and,
- a statement that all other sources of information have been exhausted.

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Contact Sources for Retirement Benefits

Office of Personnel Management
1900 E Street NW, Washington, DC 20415-1000 | (202) 606-1800 | TTY (202) 606-2532

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Planning for Retirement in Two Months

Retirement information is available to you on demand. Find information about the Federal retirement programs, make changes to the withholdings from your monthly annuity payment, calculate special options, or request specialized services.

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Here are answers to frequently asked questions about planning for retirement in two months.

When should I choose my exact retirement date?
When should I complete my application?
Should I check on my military service deposit?
Should I sign up now to receive my retirement payments by direct deposit?
How long does it take to withdraw money from the Thrift Savings Plan (TSP)?

When should I choose my exact retirement date?

If you have not already done so, you should choose your exact retirement date. Afterwards, your benefit can be estimated based on the exact date.

The best place to obtain assistance is your agency's local personnel service center. They can provide personalized assistance and they have your employment records. They will provide you with information on when your benefit payments can begin based on your proposed retirement date. You will also find out how this date affects factors used to determine the amount of your retirement benefit, such as your length of service, high-3 average salary, and the proration of cost-of-living adjustments.

When should I complete my application?

You should carefully read the information that is part of your retirement application, and complete and submit the forms. You do not need to submit a separate letter of resignation. A completed and signed retirement application is equivalent to a letter of resignation.

If you are eligible for a retirement benefit, you should not resign, intending to submit a retirement application later. This is because if you die after separating but before filing the application no life insurance, no survivor benefit, and no survivor health insurance coverage would be available to your survivor(s). You should, however, complete all the other required "exit procedures."

Read more about applying for retirement.

Should I check on my military service deposit?

Your personnel office will verify with your payroll office that the deposit to give you credit in your annuity for military service you performed after 1956 has been paid, or that arrangements have been made for complete payment before you leave the agency's rolls.

Should I sign up now to receive my retirement payments by direct deposit?

If your employer sends us your retirement records by magnetic tape, your account information for direct deposit will be sent to us automatically. In this case you would not need to do anything. Otherwise, you should include your request to receive your payments by direct deposit with your retirement package. You can do this by submitting a letter or a Standard Form (SF) 1199A with your application. You must get the SF 1199A, Direct Deposit Sign-Up Form, from your financial institution.

Direct deposit is available to retirees residing in Canada but, generally, it is not available to those whose permanent address for receiving payments is outside the United States. However, retirees living outside the U.S. can arrange to have their payments electronically deposited in a U.S. bank.

How long does it take to withdraw money from the Thrift Savings Plan (TSP)?

It may take up to eight weeks to process a withdrawal after all properly completed withdrawal forms and separation data have been received by the TSP Service Office. Further, the TSP Service Office cannot process a withdrawal election until they receive an Employee Data Record from your payroll office indicating that you have separated.

An unpaid TSP loan may delay disbursement of the TSP account balance.

Your employer will provide you with information about your withdrawal options and the option to keep your money in the TSP. If you choose not to withdraw your funds, in the event of your death the TSP Service Office would pay the funds based on your written designation form on file. If you have not completed a designation form, payment would be made to your survivors as follows:

1. Widow or widower.
2. If none of the above, child or children and descendants of deceased children by representation.
3. If none of the above, retiree's parents or to the surviving parent.
4. If none of the above, the executor or administrator of the retiree's estate.
5. If none of the above, to any other of the retiree's next of kin who is entitled under the laws of the state in which the retiree resided at death.

Read more about the Thrift Savings Program.

Main Retirement Page | Return to FAQ Index
Contact Sources for Retirement Benefits

Office of Personnel Management
1900 E Street NW, Washington, DC 20415-1000 | (202) 606-1800 | TTY (202) 606-2532

Section 40B1.1-2 Copies of Employee Information Sheets

Employee Information Sheet #1

Checklist for Employees Preparing to Retire

One Year or More Before Retirement

This checklist identifies important information you need in planning for retirement. Following through with the information gathering process and getting the answers to the questions stated will help lead to a successful retirement process.

Put an X by the statements that apply to you, write in the answers to relevant questions, and check off pertinent items when completed. This is your personal retirement planning worksheet.

	Check (X) When Completed
1. Determine when you will meet the age and service requirements for retirement.	_____
2. Choose a retirement date. If separating under FERS "MRA + 10" provisions (with age reduction), decide whether you wish to apply for annuity at separation or later to minimize or avoid reduction for age.	_____
3. Make an appointment with a retirement counselor in your personnel office to review your OPF.	_____
4. Together with your counselor, review your OPF and work with your counselor to complete the SF 2801-1 to assure official documentation of the following and to determine that the records in the OPF are sufficient verification of service for retirement purposes:	
a. A record of each of the periods of service you believe you had.	_____
b. The beginning and ending dates for each period of service.	_____
c. Effective dates for each promotion, for within-grade increases, or for other pay changes during any Federal service for which retirement deductions were not withheld from your salary or service that might fall into your high-3 average salary period. (If all pay changes during deposit service are not available, total earnings can be used.)	_____

Employee Information Sheet #1 (Cont.)

d. Documentation of your tour of duty (60 hours/pay period, for example during any regular part-time appointment during (l) deposit service, (2) service taking place on or after April 7, 1986, or (3) any other service that might fall into your high-3 average salary period). For cases that receive credit as FERS service only, documentation of **all** tours of duty during any regular part-time appointments. _____

e. Record of the time you actually worked during intermittent or WAE ("when actually employed") service. _____

f. Copy of both sides of your military discharge paper and/or your DD 214, Military Discharge, record of military service. _____

g. Record of your current Federal health benefits enrollment on SF 2809, Health Benefits Registration Form, and SF 2810, Notice of Change in Health Benefits Enrollment. Do records show you have been covered long enough to allow you to continue health benefits as a retiree? If you were covered under your spouse's enrollment, or were covered under CHAMPUS, do the records show this? _____

h. Record of your current Federal life insurance coverage on SF 2817, Life Insurance Election. Do records show you have been covered long enough to allow you to continue basic and optional coverages as a retiree? _____

i. Your Designation of Beneficiary for life insurance (SF 2823), and Designation of Beneficiary for retirement contributions (SF 3102), if you filed either form, showing the person(s) you currently want designated. _____

NOTE 1: If you are in CSRS, your SF 2808, Designation for CSRS Retirement Contributions, is at OPM.

NOTE 2: If you transferred to FERS, any SF 2808 is no longer valid. You should complete a new SF 3102 if you have not already done so.

5. If you have a question concerning the creditability of a period of your service, ask for verification from the person assisting you. _____

6. If any necessary documentation is missing from the OPF, bring it to the attention of the person assisting you and request that the personnel office obtain the documentation. _____

Employee Information Sheet #1 (Cont.)

7. Ask for information from Social Security Administration (SSA) about your future eligibility for Social Security benefits, and an estimate of the amount. Call **1-800-772-1213** at Social Security for form SSA-7004-PC. _____

   As soon as you are within 2 to 3 months of age 62 (before or after retiring), contact SSA right away to decide when to apply for benefits. _____

8. Determine if the Social Security Windfall Elimination Provision or the Government Pension Offset affects any Social Security benefits expected. _____

9. Request estimated annuity computations at this time if decisions need to be made on paying deposit or waiving military retired pay. _____

10. Decide whether to waive military retired pay, if applicable. _____

11. Deposits/Redeposits. Apply to make deposits for:

    Post-1956 military service (to agency) _____

    Redeposit (refunded) service (to OPM); find out how certain refunded service will be credited if you do not pay the redeposit. This may affect your decision whether or not to pay the redeposit. _____

    Deposit service (to OPM); find out how service will be credited if you do not pay the deposit. This may affect your decision whether or not to pay the deposit. _____

12. Decide when and how to receive your Thrift Savings Plan funds. Arrange to pay off any TSP loans before retirement to avoid delay in receipt of TSP distributions. _____

    TSP is managed by the Thrift Savings Board, not OPM. Questions about TSP payments should be addressed to:

    Thrift Savings Plan Service Office
    National Finance Center
    P.O. Box 61500
    New Orleans, LA 70161-1500

13. Request information about any pension from non-civil service employment (pension) that you might be eligible. (Will it affect your FERS or CSRS pension in any way?) _____

14. Do you receive any OWCP benefits? If you receive OWCP benefits, request information about their impact on your annuity. _____

Employee Information Sheet #1 (Cont.)

Six Months Before Retirement

15. Decide when to send waiver of military retired pay. _____

    Send the military finance center your waiver of military retired pay 60 to 90 days before your retirement. _____

16. Clear up any financial indebtedness to your agency. If you don't, your agency can ask OPM to withhold the debt from your annuity. _____

17. Inform your supervisor of your proposed retirement date. _____

18. Ask your personnel office for forms that may require additional study and time to complete. _____

Two Months Before Retirement

FERS Forms -- basic package of retirement forms for the employee to complete: _____

SF 3107 Application for Immediate Retirement.

SF 3107-2 Spouse's Consent to Survivor Election. (Only required if you do not elect the full survivor benefit for your current spouse.)

SF 2818 Continuation of Life Insurance Coverage.

SF 2817 If you do **not** want to continue all your optional life insurance into retirement, you should complete this form. The SF 2818 **cannot** be used to cancel life insurance.

TSP Any forms necessary for your election of Thrift Savings Plan disbursements.

Employee Information Sheet #1 (Cont.)

CSRS Forms -- basic package of retirement forms for the employee to complete: _____

SF 2801 Application for Immediate Retirement.

SF 2801-2 Spouse's Consent to Survivor Election. (Only required if you do not elect the full survivor benefit for your current spouse.)

SF 2801-3 Election of Former Spouse Survivor Annuity or Combination Current/Former Spouse Survivor Annuity. (Only required if you wish to make this type of election.)

SF 2818 Continuation of Life Insurance Coverage.

TSP Any forms necessary for your election of Thrift Savings Plan disbursements.

RI 38-124 Voluntary Contributions Election. (Only required if you want a refund of your voluntary contributions.)

19. Complete the EFT Information/Certification Letter for Direct Deposit Sign-up or request from your bank or financial institution a Direct Deposit Sign-up Form (SF 1199A). (Either of these forms should be submitted with your retirement application -- see Employee Information Sheets #4 and #5 for complete instructions.) **Note**: If your agency participates in the Automated Interim Pay Project or your permanent address is outside the United States, neither form is required. Canadian residents use RI 16-26, Direct Deposit Sign-up Form (Canada). _____

20. Complete the retirement application and all related forms. Sign your application. _____

21. Submit all forms and required documents to your supervisor/ administrative officer/personnel office. (Keep a copy for personal reference.) _____

When Your Personnel Office Notifies You

22. Review and sign SF 3107-1 or SF 2801-1, Certified Summary of Federal Service, that the personnel office has prepared. _____

23. Complete all customary agency exit procedures. _____

After You Retire

24. Send your initial Thrift Savings Plan forms directly to the TSP office. _____

NALC

RETIREMENT MANUAL

2

ELIGIBILITY REQUIREMENTS

2 Eligibility Requirements

The documents collected in this chapter explain the general eligibility requirements for retiring under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS).

Contents

A. Eligibility for CSRS Retirement—Summary (OPM FAQs)

B. CSRS Eligibility Requirements (CSRS & FERS Handbook Chapter 41, Voluntary Service Based on Age and Service, pp. 4-5; Chapter 60, Disability Retirement, pp. 8-9)

C. Eligibility for FERS Retirement—Summary (OPM FAQs)

D. FERS Eligibility Requirements (CSRS & FERS Handbook Chapter 41, Voluntary Service Based on Age and Service, pp. 14-19; Chapter 60, Disability Retirement, pp. 54-55)

E. CSRS/FERS Eligibility Comparison Table

More Information

See NALC's publications about the CSRS and FERS retirement systems:

- *Questions & Answers on the Civil Service Retirement System*
- *Questions & Answers on the Federal Employees' Retirement System*
- *Survivor's Guide to CSRS, FERS, and Social Security*

These and other NALC publications are also available on the NALC web page at ww.nalc.org.

Also see the OPM website, www.opm.gov. To find the CSRS/FERS Handbook, on the OPM home page choose HR Tools and Resources>Benefits and Retirement>CSRS and FERS Handbook for Personnel and Payroll Offices.

Eligibility for CSRS Retirement

1. You may retire under the Civil Service Retirement System (CSRS) at the following ages, and receive an immediate annuity, if you have at least the amount of Federal Service shown in the table below:

Type of Retirement	Minimum Age	Minimum Service (Years)	Special Requirements
Optional	62	5	None
	60	20	None
	55	30	None
Special Optional	50	20	You must retire under special provisions for air traffic controllers or law enforcement and firefighter personnel. Air traffic controllers can also retire at any age with 25 years of service as an air traffic controller.
Early Optional	Any Age	25	Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function determined by the Office of Personnel Management. Annuity is reduced if under 55.
	50	20	
Discontinued Service	Any Age	25	Your separation is involuntary and not a removal for misconduct deliquency.
	50	20	
Disability	Any Age	5	You must be disabled for useful and efficient service in your current position and any other vacant position at the same grade or pay level within your commuting area and current agency for which you are qualified. Must be prior to retirement, or within one year of separation, except in cases of mental incompetence.

http://www.opm.gov/retire/html/faqs/faq11.html - June 11, 2004

Section 41A1.1-2 Employee Eligibility Requirements (Cont.)

C. Minimum Civilian Service

An employee must have at least 5 years of creditable civilian service to be eligible for a voluntary retirement. Use the method outlined in Chapter 50 for service computation, rather than the service computation date (SCD) used for leave and reduction-in-force (RIF) purposes.

Creditable civilian service for this purpose includes:

Service for which full CSRS deductions were taken, even if CSRS deductions were refunded and not redeposited;

Service for which full Social Security taxes and reduced CSRS deductions were taken, even if CSRS deductions were refunded and not redeposited; and

Nondeduction service (that is, temporary or intermittent service), whether or not a deposit for such service is made or deemed made under the alternative annuity provisions.

NOTE: See Chapter 20, Creditable Service, for a full description of creditable service.

D. Separation from Covered Position

The employee must be separated from a position covered by retirement deductions.

Section 41A1.1-2 Employee Eligibility Requirements (Cont.)

E. "One-Out-of-Two" Requirement

An employee must be covered by CSRS for at least 1 year within the 2-year period immediately preceding the separation on which the annuity is based. The 1 year of service does not have to be continuous. The year of service does, however, have to be covered service. An employee cannot meet the requirement by paying a deposit for nondeduction service.

The following examples assume the employee is 57 years old.

EXAMPLE	SERVICE HISTORY	ELIGIBLE TO RETIRE?
1	Career appt. 2-1-51 Separated 4-3-80 Career reinst. 9-4-88 Separated 9-30-89	Yes
2	Career appt. 2-1-51 Separated 4-3-80 Career reinst. 9-4-88 Separated 6-30-89 Comment: The employee is not eligible to retire with an immediate annuity because he or she has less than 1 year of service during the 2-year period preceding the last date of separation.	No

F. Employee Eligible for More Than One Type of Retirement

A retiree whose separation was involuntary should be processed under discontinued service retirement procedures (see Chapter 44), even though the individual meets the age and service requirements for voluntary retirement. In addition, the annuity commencing date is the day after separation/last day of pay.

G. Employee Separated but Eligible for a Deferred Annuity Within 30 days of Separation

An employee who separates and is eligible for a deferred annuity commencing within 30 days of the date of separation should be processed under optional retirement procedures even though the individual does not meet the age and service requirements on the date of separation.

Section 60A1.1-3 General Eligibility Requirements

A. General

An employee must meet the following general statutory requirements to be eligible for a disability retirement annuity:

1. The employee must be in a position covered by CSRS; and

2. The employee must meet the minimum civilian service requirement.

B. Employee in a Position Covered by CSRS

The employee must have become disabled while serving in a position subject to CSRS.

C. Minimum Civilian Service

An employee must have at least 5 years of creditable civilian service to be eligible for a disability retirement.

Creditable civilian service for this purpose includes:

Service for which full CSRS deductions were taken (even if CSRS deductions were refunded and not redeposited);

Service for which full Social Security taxes and reduced CSRS deductions were taken (even if CSRS deductions were refunded and not redeposited); and

Nondeduction service (for example, temporary or intermittent service), whether or not a deposit for such service is made.

NOTE: See Chapter 20, Creditable Civilian Service, for a full description of creditable service.

Part 60A2 Disability Criteria

Section 60A2.1-1 Introduction

A. General

Once the agency determines that the employee meets the general statutory requirements for disability retirement (see section 60A1.1-3 above), the agency and employee must then document that the employee satisfied the disability criteria required by regulation. The criteria are listed below and discussed in greater detail in the sections that follow.

B. Disability Criteria

The following criteria must be documented before an employee is eligible for disability retirement benefits:

A deficiency in service with respect to performance, attendance or conduct, or, in the absence of any actual service deficiency, a showing that the medical condition is incompatible with either useful service or retention in the position (see section 60A2.1-2);

A medical condition that is defined as a health impairment resulting from disease or injury, including psychiatric disease (see section 60A2.1-3);

A relationship between the service deficiency and the medical condition such that the medical condition has caused the service deficiency (see section 60A2.1-3);

The duration of the medical condition, both past and expected, and a showing that the condition, in all probability, will continue for at least 1 year from the date the application for disability retirement has been filed (see section 60A2.1-3);

The inability of the employing agency to reasonably accommodate the employee's medical condition (see section 60A2.1-4); and,

The agency's consideration of the employee for reassignment to any vacant position within the employing agency and commuting area, at the same grade or pay level, for which the employee is qualified (see section 60A2.1-5).

Retirement Eligibility
Federal Employees Retirement System (FERS)

There are three categories of benefits in the FERS Basic Benefit Plan:

Immediate
Early
Deferred

Eligibility is determined by your age and number of years of creditable service. In some cases, you must have reached the **Minimum Retirement Age (MRA)** to receive retirement benefits. Use the following chart to figure your minimum retirement age.

Minimum Retirement Age	
If you were born	Your MRA is
Before 1948	55
In 1948	55 and 2 months
In 1949	55 and 4 months
In 1950	55 and 6 months
In 1951	55 and 8 months
In 1952	55 and 10 months
In 1953 through 1964	56
In 1965	56 and 2 months
In 1966	56 and 4 months
In 1967	56 and 6 months
In 1968	56 and 8 months
In 1969	56 and 10 months
In 1970 and after	57

IMMEDIATE--An immediate retirement benefit is one that starts within 30 days from the date you stop working.

If you meet one of the following sets of age and service requirements, you are entitled to an immediate retirement benefit:

AGE	YEARS OF SERVICE
62	5
60	20
MRA	30
MRA	10

http://www.opm.gov/retire/html/faqs/faq11.html - June 11, 2004

If you retire at the MRA with at least 10, but less than 30 years of service, your benefit will be reduced by 5 percent a year for each year you are under 62, unless you have 20 years of service and your benefit starts when you reach age 60 or later.

EARLY--Refers to special eligibility rules as follows:

The early retirement benefit is available in certain involuntary separation cases and in cases of voluntary separations during a major reorganization or reduction in force. To be eligible, you must meet the following requirements:

AGE	YEARS OF SERVICE
50	20
Any age	25

DEFERRED--Refers to delayed payment of benefit until criteria are met, as follows:

If you leave Federal service before you meet the age and service requirements for an immediate retirement benefit, you may be eligible for deferred retirement benefits. To be eligible, you must have completed at least 5 years of creditable civilian service. You may receive benefits when you reach one of the following ages:

AGE	YEARS OF SERVICE
62	5
60	20
MRA	30
MRA	10

If you retire at the MRA with at least 10, but less than 30 years of service, your benefit will be reduced by 5 percent a year for each year you are under 62, unless you have 20 years of service and your benefit starts when you reach age 60 or later.

http://www.opm.gov/retire/html/faqs/faq11.html - June 11, 2004

Section 41B1.1-2 Employee Eligibility Requirements

A. General

An employee is eligible to retire voluntarily with an immediate annuity, without any reduction in annuity due to age, if all of the following conditions are met:

Service requirement;

Minimum civilian service requirement;

Separation from a position subject to FERS coverage; and

Minimum Retirement Age (MRA).

NOTE: There is no "1-out-of-2" requirement under FERS as there is under CSRS. Thus, an employee who elects to transfer to FERS does not have to be under FERS for one year to be eligible to retire. It is possible for an employee's separation for retirement to occur on the same day (but not before) the FERS election becomes effective, provided that the employee meets the other requirements.

Likewise, an employee who had FERS coverage in his or her last period of service could retire at any time after being reemployed if he or she has the required age and service.

B. Minimum Age and Service

1. The employee must meet one of the age and service requirements below at separation:

AGE is at least...	and CREDITABLE SERVICE is at least..
62	5 years
60	20 years
MRA	30 years

2. If an employee has the minimum 5 years of creditable civilian service, creditable military service may be used to meet the balance of years of service necessary for a voluntary retirement.

Section 41B1.1-2 Employee Eligibility Requirements (Cont.)

B. Minimum Age and Service (Cont.)

3. Under FERS, post-1956 military service cannot be used to meet the service requirement unless the employee makes the military service deposit before retirement. The deposit may not be deemed paid under the alternative annuity provisions.

NOTE: Public Law 104-208 gives employees who are involuntarily separated the right to use their annual leave to achieve initial eligibility for retirement and/or continued health benefits coverage.

CAUTION: Accrued and unused sick leave may not be used to meet any of the service requirements noted above.

C. Minimum Civilian Service

An employee must have at least 5 years of creditable civilian service to be eligible for an voluntary retirement.

Creditable civilian service for this purpose includes:

Service for which full FERS deductions are made and not refunded;

Nondeduction service (that is, temporary or intermittent service) performed prior to January 1, 1989, if a deposit for such service is made or deemed made under the alternative annuity provisions;

Service for which full Social Security taxes and full or reduced CSRS deductions were taken if the CSRS deductions were not refunded; and,

For individuals eligible for a CSRS annuity component:

Nondeduction CSRS service (that is, temporary or intermittent service), whether or not a deposit for such service is made or deemed made under the alternative annuity provisions;

Service for which full CSRS deductions were taken even if CSRS deductions were refunded and not redeposited.

NOTE: See Chapter 20 for a full description of creditable service.

Section 41B1.1-2 Employee Eligibility Requirements (Cont.)

D.	Noncreditable Civilian Service	The following types of service performed under FERS may not be used in meeting the 5-year minimum service requirement: Service performed under FERS for which a refund of FERS deductions was taken; Service subject to FERS computation rules for which a refund was made after FERS coverage began; and Nondeduction service (that is, temporary or intermittent service) performed on or after January 1, 1989.
E.	Separation from Covered Position	The employee must be separated from a position covered by FERS deductions.
F.	Minimum Retirement Age (MRA)	The MRA is the earliest age that an employee with 30 years of creditable service is eligible for voluntary retirement without any reduction due to age. Depending on the employee's year of birth, the MRA ranges between ages 55 and 57. See the table on the following page.

Section 41B1.1-2 Employee Eligibility Requirements (Cont.)

F. Minimum Retirement Age (MRA) (Cont.)

To determine the MRA, refer to the table below.

IF YEAR OF BIRTH IS...	THE MINIMUM RETIREMENT AGE IS...
Before 1948	55
1948	55 and 2 months
1949	55 and 4 months
1950	55 and 6 months
1951	55 and 8 months
1952	55 and 10 months
1953-1964	56
1965	56 and 2 months
1966	56 and 4 months
1967	56 and 6 months
1968	56 and 8 months
1969	56 and 10 months
1970 and After	57

Part 41B2 Commencing Date of Annuity

Section 41B2.1-1 Commencing Date of Annuity

A.	Rule	Except as explained in paragraph B below, voluntary retirement annuities commence the first day of the month after separation for retirement. Unlike CSRS, there is no special provision for employees who serve three days or less in the month of retirement or any provision allowing a voluntary retirement annuity to begin on the day after the last day of pay. EXAMPLE 1: Date of separation: October 31 Annuity commences: November 1 EXAMPLE 2: Date of separation: March 3 Annuity commences: April 1 EXAMPLE 3: Last day of pay: June 2 Date of separation: June 15 Annuity commences: July 1
B.	Exception: Elected/ Appointed Officials	If a separation occurs because of the expiration of a term or other period for which the person was appointed or elected, the annuity commences the day after separation for retirement.

Part 41B3 Miscellaneous Provisions

Section 41B3.1-1 Miscellaneous Provisions

A.	Retiree Annuity Supplement	A retiree annuity supplement is payable to an employee retiring on an immediate voluntary retirement that is not reduced for age if the employee has completed at least one calendar year of FERS service and is under age 62. For rules regarding eligibility for and payment of the retiree annuity supplement, see Chapter 51, Retiree Annuity Supplement.
B.	Establishment of Separation Date	The CSRS rule regarding an employee's right to specify the effective date of his or her separation/retirement also applies under FERS. (See section 41A3.1-1, paragraph B.)
C.	Withdrawal of Retirement Application	1. The CSRS rules in section 41A3.1-1, paragraphs C, D, and E apply to a FERS employee. In addition, the following rules apply to FERS employees. 2. Except as provided in 3 below, a separated employee may withdraw his or her application for benefits until a regular recurring payment based on that application has been authorized, but not thereafter. Withdrawal of the application for retirement annuity after separation does not, however, cancel the employee's separation except as provided in section 41A3.1-1, paragraph E. 3. A separated employee may not withdraw his or her application for benefits if OPM has received a certified copy of a qualifying court order awarding benefits to a spouse or former spouse.

Section 60B1.1-2 General Eligibility Requirements

A. General

An employee must meet the following general statutory requirements to be eligible for a disability retirement annuity:

1. The employee must be in a position covered by FERS; and

2. The employee must meet the minimum civilian service requirement.

B. Disabled While in a Position Covered by FERS

The employee must have become disabled while serving in a position subject to FERS.

C. Minimum Civilian Service

An employee must have at least 18 months of creditable civilian service to be eligible for a disability retirement.

Creditable civilian service for this purpose includes --

Service for which full FERS deductions were made and not refunded;

Nondeduction service (for example, temporary or intermittent service) performed prior to January 1, 1989, if a deposit for such service is made;

Service for which full Social Security taxes and full or reduced CSRS deductions were taken, if all CSRS deductions were not refunded;

EXCEPTION: If the CSRS deductions were refunded based on an application filed before the employee became covered under FERS, such service is creditable if a FERS deposit is made.

For individuals eligible for a CSRS annuity component --

Nondeduction service (for example, temporary or intermittent service) subject to CSRS annuity computation rules; whether or not a deposit for such service is made;

Service for which full CSRS deductions were taken (even if CSRS deductions were refunded and not redeposited).

NOTE: See Chapter 20 for a full description of creditable service.

Section 60B1.1-2 General Eligibility Requirements (Cont.)

D. Noncreditable Civilian Service

The following types of service may not be used in meeting the minimum service requirement under FERS:

Service performed under FERS for which a refund of FERS deductions was taken;

Former CSRS service subject to FERS annuity computation rules for which all CSRS deductions were refunded based on an application filed after the employee became covered under FERS;

Former CSRS service subject to FERS annuity computation rules for which all CSRS deductions were refunded based on an application filed before the employee became covered under FERS and for which no deposit was made;

Any period of nondeduction service performed before 1989 for which a deposit was not made (unless the service is included in a CSRS component); and,

Nondeduction service (for example, temporary or intermittent service) performed on or after January 1, 1989 (unless the service is included in a CSRS annuity component).

CSRS/FERS Comparison Table

FEATURE	CSRS	FERS
Regular annuity	Guaranteed annuity based on service under a single plan.	Guaranteed annuity based on service under the Basic Benefit Plan.
Alternative annuity	Under P.L. 103-66, approved August 10, 1993, lump-sum payment of career retirement contributions is no longer available for employees. Exceptions to this are employees eligible for nondisability annuities who have life-threatening medical conditions.	Under P.L. 103-66, approved August 10, 1993, lump-sum payment of career retirement contributions is no longer available for most employees. Exceptions to this are employees eligible for nondisability annuities who have life-threatening medical conditions.
Unreduced annuity	Age 55 with 30 years of service; age 60 with 20 years of service; age 62 with 5 years of service.	Age 55 with 30 years of service gradually increasing until it reaches age 57 for employees born between 1948 and 1970 or later; age 60 with 20 years of service and age 62 with 5 years of service.
Involuntary early retirement	Available at the following age/service combinations: - At any age with 25 years of service or more. - At age 50 with 20 years of service or more. (Benefit reduced 2 percent *a year* for each year payment begins before age 55.)	Unreduced benefits available at the following age/service combinations: - At any age with 25 years of service or more. - At age 50 with 20 years of service or more. (Special Retirement Supplement begins at minimum retirement age (MRA) and continues until age 62.)
Deferred retirement (leaving Federal service with delayed benefit payments)	Available at age 62 to former employees with 5 years or more of creditable civilian service who did not take a refund of contributions when they left.	Unreduced benefit available at the following age/service combinations: At age 62 to those who had at least 5 years of civilian service and did not take a refund; at MRA with 30 years of service or more; at age 60 with 20 years of service or more. Reduced benefit (at least 5% per year) available at MRA with 10 years of service or more.

NALC

RETIREMENT MANUAL 33

MILITARY SERVICE CREDIT BUY-BACK

3 Military Service Credit Buy-Back

Letter carriers under CSRS have the option of making deposits to obtain full retirement credit for their post-1956 military service. Letter carriers under FERS *must* make such a deposit to receive credit for their military service.

Contents

A. CSRS—Rules on Military Service Credit Buy-Back (CSRS & FERS Handbook Chapter 23, Service Credit Payments for Post-1956 Military Service pp. 3-9)

B. FERS—Rules on Military Service Credit Buy-Back (CSRS & FERS Handbook Chapter 23, Service Credit Payments for Post-1956 Military Service pp. 39-44)

C. Form for Requesting Estimated Earnings During Military Service, with Addresses

D. Chapter 5 Code of Federal Regulations Section 831.301—Credit for Military Service

More Information

See NALC's booklets about the CSRS and FERS retirement systems:

- *Questions & Answers on the Civil Service Retirement System*
- *Questions & Answers on the Federal Employees' Retirement System*

Also see the OPM website, www.opm.gov. To find the CSRS & FERS Handbook, on the OPM home page choose HR Tools and Resources>Benefits and Retirement>CSRS and FERS Handbook for Personnel and Payroll Offices.

Section 23A1.1-2 Background

A. "Catch 62"

Before September 8, 1982, Civil Service annuitants who were eligible for Social Security at age 62 could not receive credit for military service performed after 1956 even if it had previously been credited in the computation of their annuity benefits. When an annuitant retired before age 62 and post-1956 military service was included in the annuity computation, it had to be deleted at the end of the month before his or her 62nd birthday, if he or she was eligible for Social Security at that time. The rule was commonly referred to as "catch 62" since it affected retirees at age 62.

B. Military Deposit

The CSRS law was changed in 1982 with respect to the crediting of military service for annuity computation purposes.

The law now provides that any individual first employed in a position subject to CSRS on or after October 1, 1982, receives credit for title and annuity computation purposes for post-1956 military service only if he or she deposits with the employing agency a sum equal to 7 percent of the military basic pay he or she earned during the period of military service, plus interest.

Individuals who were first employed under CSRS before October 1, 1982, can receive, under certain circumstances, credit for post-1956 military service without making the deposit, potentially undergoing an annuity reduction for the post-1956 military service at age 62, or making the deposit and avoiding a possible reduction.

NOTE: See Chapter 22, Creditable Military Service, Part 22A4 for additional information on the crediting of post-1956 military service.

C. Where Deposit Is Made

Except as noted in section 23A1.1-4, all military deposits must be made to the employing agency.

Section 23A1.1-3 Definitions

A.	**Basic Pay**	The total earnings received based on the grade (for example, E-5) of the military member when the service was performed. Basic pay does not include increases such as allowances, flight pay, combat pay, etc.
B.	**Estimated Earnings**	An estimate of basic pay earned during a period of military service, as determined by an authorized official of the Department of Defense for service with the Army, Navy, Air Force, and Marine Corps, the Department of Transportation for service with the Coast Guard, the Department of Commerce for service with the National Oceanic and Atmospheric Administration, the Department of Health and Human Services for service with the Public Health Service; or by an authorized official of the person's employing agency when sufficient evidence of basic pay is provided.
C.	**First Employed**	The date of employee's initial appointment to a position subject to CSRS, CSRS Offset, or FERS retirement deductions.
D.	**Interest Accrual Date (IAD)**	The date each year when interest is charged to the employee's account. (See 23A3.1-5, paragraph B, and 23B2.1-2, paragraph A, for details.)
E.	**Period of Service**	The total years, months, and days from date of initial entry on active duty (or January 1, 1957, if that is later) to date of final discharge for enlisted military personnel, and to date of final release from active duty for officers and reservists. For military retired pay recipients, a period of service may also be the total years, months, and days of military service not used in the computation of military retired pay, or for retired officers, enlisted service performed as a cadet or midshipman. (See Chapter 22 for more information.) A period of service includes consecutive periods of service where there is no break in service, but does not include any lost time. For military service purposes, even a 1-day break separates service into two periods.
F.	**Service**	Active honorable military service performed after December 31, 1956.
G.	**Sufficient Evidence**	Sufficient evidence of basic pay exists when an employee (or survivor of a deceased employee) provides copies of all official military pay documents that show the exact basic pay he or she earned for a full period of service.

Section 23A1.1-4 Who Can Make a Military Service Deposit

A. General Rule: Current Employees

The following current employees may make a military service credit deposit.

1. An employee subject to CSRS (including CSRS Offset) may make a deposit to his or her employing agency for any full period of military service prior to separation from service.

2. If the employee delays making the military deposit until he or she separates for retirement, the deposit **must** be made, in full, to the employing agency before OPM completes adjudication of the annuity. The agency should inform the employee that final adjudication of his or her annuity will be delayed.

3. Except as noted in paragraph A2 above, under current rules, a separated employee may not make a military service deposit.

B. Special Rule: Certain Former Employees

A former employee who separated after September 8, 1982, and before October 1, 1983, with title to a deferred annuity, may make a military service deposit at the time he or she applies for the deferred annuity. The deposit must be made in a lump sum directly to OPM and may be made at any time prior to final adjudication of the application for deferred annuity.

Exception: If the employee is reemployed after October 1, 1983, and the reemployment results in a new annuity right, the rules for current employees apply.

C. Survivor

A survivor of a deceased employee may make a military service deposit. Unlike employees, survivors may only pay the deposit in a lump sum. For the most part, the procedures for obtaining the basic pay, computing the deposit and processing the payment are the same for survivors. Specific information about the effect of the military deposit on the survivor annuity computation and the special rules for military retired pay recipients who die in service are discussed in Chapter 70, Spouse Benefits - Death of an Employee.

Section 23A1.1-5 Refund of Deposit

A. Refund Before Retirement

Any money paid as a military deposit is refunded to a separated employee who applies for and is entitled to a refund of all retirement deductions. (See Chapter 32, Refunds, for additional details.)

B. Refund of Deposit Upon Application for Retirement

The following rules apply to refunds of deposits upon application for retirement.

1. **Completed Deposits.**
Except as provided in rules 2, 3, and 4 below, a completed deposit may not be returned to an employee who is entitled to annuity benefits at the time of application.

2. **Alternative Annuity Elections.**
If a retiring employee is eligible for and elects the alternative annuity upon retirement, he or she will receive a lump-sum payment equal to his or her total contributions to the retirement fund, including any military service deposits. The military deposit cannot be deemed paid at retirement when the employee elects the alternative annuity. The amount of the deposit must be paid to the employing agency prior to the employee's separation. (See Chapter 53, Alternative Annuity Elections, for additional details.)

3. **Military Retirees.**
Employees who receive military retired pay and choose not to waive it will receive a refund of all money paid toward a military deposit at retirement. A retiring employee who receives a refund of his or her deposit because of a decision not to waive military retired pay may not redeposit that money at a later date, unless he or she is reemployed and acquires a new annuity right. (See section 23A1.1-4, paragraph B.)

4. **Service not creditable.**
A completed deposit is automatically refunded by OPM if the service covered by the deposit is not creditable for retirement purposes (for example, the employee was dishonorably discharged).

Note: When counseling CSRS disability retirees eligible for the minimum basic annuity benefit, agencies should prepare a computation of the employee's benefit with and without the military service to see if it will affect the annuity. If the employee has not paid the military deposit, he or she may decide not to pay if it would not increase the annuity. However, if the employee has paid the military deposit, the

Section 23A1.1-5 Refund of Deposit (Cont.)

B. Refund of Deposit Upon Application for Retirement (Cont.)

employee does not qualify for a refund. The fact that the military service does not increase the amount of the employee's benefit does not make the service "not creditable" for the purpose of paying a refund of the military deposit.

5. **Incomplete Deposits.**
OPM automatically refunds an incomplete deposit for a period of military service to a separated employee when it adjudicates his or her application for retirement benefits, unless the incomplete deposit will pay for one or more full periods of military service.

If the employee has more than one period of military service and the incomplete deposit will cover all of the deposit for at least one of the periods, OPM will refund only the part of the deposit in excess of the amount needed to cover one or more full periods of military service.

Example:

Period of Service	**Deposit Owed**
3-15-60 to 9-12-62	$350.00
4-2-65 to 6-28-66	250.00
Total	$600.00

Deposit made by employee = $500.00

Since the deposit made by the employee is sufficient to pay for the period of service from 3-15-60 to 9-12-62, the employee receives a refund of $150.00.

NOTE: This example does not consider any interest that may have accrued on the unpaid deposit amount.

C. When a Military Service Credit Deposit May Be Repaid

If a CSRS employee separates from Federal service and receives a refund of his or her military service deposit made to the Fund and is reemployed under CSRS, he or she may repay the military service credit deposit. Interest begins to accrue on the unpaid balance the date the refund was paid.

Part 23A2 Employee Procedures and Responsibilities

Section 23A2.1-1 Applying for Deposit

A. Contact the Agency for Information

An employee with post-1956 military service must contact the appropriate employing agency personnel for information about the effect of military service deposit requirements.

B. Complete SF 2803

If the employee determines that it will be beneficial to pay the deposit, he or she must obtain SF 2803, Application to Make Deposit or Redeposit, from the employing agency. (See subchapter 23C for a sample copy of this form.)

For CSRS employees first employed prior to October 1, 1982, the space below that in which the employee enters the military service to be covered by a deposit must contain the following statement to be entered by the employing agency.

"I wish to pay the deposit necessary to obtain credit for my military service after 1956. I understand that the entire deposit must be paid to my agency before separation for retirement and that if I do not complete the deposit at that time, the post-1956 military service will not be used to compute my annuity after age 62, if I am eligible for Social Security benefits at that time. Any incomplete deposit that will not pay for one or more full periods of military service will be refunded. Otherwise, my deposit is refundable only if I become eligible for a refund of civil service retirement contributions, or retire without waiving my military retired pay (if any).

"I further understand that the military deposit cannot be deemed paid at retirement if I am eligible for and elect an alternative annuity. If I do elect the alternative annuity upon retirement, any completed military deposits that I have made to the Fund will be refunded to me along with any other retirement contributions or payments I made to the Fund."

For CSRS employees first employed after October 1, 1982, the statement should be modified as follows.

"I wish to pay the deposit necessary to obtain credit for my military service after 1956. I understand that the entire deposit must be paid to my agency before separation for retirement and that if I do not complete the deposit at that time, the post-1956 military service will not be used to compute or establish title to a CSRS annuity. Any incomplete . . . ."

Section 23A2.1-1 Applying for Deposit (Cont.)

C.	**Attach DD Form 214**	The employee must complete only the front of SF 2803 and return it to the appropriate employing agency official along with a copy of his or her DD Form 214, Report of Transfer or Discharge, or equivalent record to verify the service. If copies of the DD Form 214(s) are not available, the employee may obtain a copy from the military records center by submitting SF 180, Request Pertaining to Military Records, to the appropriate address. The addresses are listed on the back of the form. NOTE: See The Guide to Processing Personnel Actions (formerly FPM Supplement 296-33) for additional information on SF 180.
D.	**Document Basic Military Pay**	The employee must also provide documentation of military basic pay to the employing agency. (See section 23A2.1-2 for more information.)

Section 23B1.1-3 Background

A. Military Deposit

A FERS employee may receive credit for post-1956 military service under FERS rules only if he or she deposits with the employing agency a sum equal to 3 percent of the military basic pay he or she earned during the period of military service, plus interest.

A deposit is necessary to use post-1956 military service both for eligibility for an annuity and for computation purposes.

EXAMPLE: John is 58 years old. He has 8 years of creditable civilian service and 3 years of post-1956 military service. If he makes his post-1956 military deposit, he can retire under the MRA + 10 provision. If he does not make the deposit, he is not eligible to retire until age 62.

NOTE: See Chapter 22 for additional information on the crediting of military service.

B. Where Deposit Is Made

Military deposits must be made to the employing agency.

Section 23B1.1-4 Service Subject to FERS Military Service Deposit Rules

A. Service Subject to FERS Military Service Deposit Rules

Military service is subject to FERS rules on military service deposits if:

- The employee was automatically subject to FERS on January 1, 1987;
- The employee was automatically covered by FERS upon conversion from a position excluded from FERS to a position covered by FERS;
- The employee was automatically covered by FERS upon reentering service after January 1, 1987;
- The employee performed the military service after transferring to FERS, regardless of whether he or she will be eligible for a CSRS annuity component; or
- The employee elected FERS coverage sometime after June 30, 1987, and had less than 5 years of civilian service (not counting any civilian service covered simultaneously by both Social Security and CSRS after December 31, 1983) before the effective date of the election.

EXAMPLE: Edith performed military service from 7-1-76 to 6-30-78. She was appointed to a career appointment under CSRS on 11-1-78 and separated from CSRS on 10-30-82. Edith was reinstated in a career appointment on 2-1-85 under CSRS Interim/Offset and elected FERS on 9-1-87. She had less than 5 years of civilian service that was not under both CSRS and Social Security when she elected FERS coverage, so she has no future entitlement to a CSRS component in the computation of her FERS annuity.

Therefore, Edith's military service is credited under FERS rules. If she had completed a CSRS military deposit (at 7% of basic pay), she would be eligible for a return of excess contributions. (See Chapter 33, Return of Excess Contributions, for additional information on returns of excess deductions.)

Section 23B1.1-4 Service Subject to FERS Military Service Deposit Rules (Cont.)

A. Service Subject to FERS Military Service Deposit Rules (Cont.)

Employees in the categories above:

1. Pay a deposit of 3 percent of military basic pay;
2. Have the extended interest-free period (see section 23B3.1-2); and
3. Are not treated differently if they first became subject to CSRS before October 1, 1982.

NOTE: Employees who transfer to FERS and have a CSRS component continue to be under the CSRS military deposit rules for service performed before the transfer.

Section 23B1.1-5 Who Can Make a Military Service Deposit

A. General Rule: Current Employees

An employee subject to FERS may make a deposit for any full period of military service prior to separation from service.

1. If the employee delays making the military deposit until the time he or she separates for retirement, the deposit must be made, in full, to the employing agency before OPM completes the adjudication of the annuity. The agency should inform the employee that final adjudication of his or her annuity will be delayed.

2. Except as noted in paragraph A1 above, a separated employee may not make a military service deposit.

B. Employee Who Elects a Postponed Annuity

If an employee meets the requirements to retire optionally under the FERS MRA + 10 provision and postpones the annuity, he or she must pay the military service credit deposit **to the agency before separation from service.**

C. Survivor of a Former Employee Eligible for a Deferred Annuity

A survivor of a former employee who was eligible at the time of death for a deferred annuity may receive a survivor annuity based on the former employee's creditable service but the survivor **may not** make a military service deposit. See Chapter 70 for a discussion of survivor deposits when the employee dies in service.

Section 23B1.1-6 Refund of Deposit

A. Refund Before Retirement

Either a completed or partial deposit for a period of service is refunded to a separated employee who applies for (and is entitled to) a refund of all retirement deductions. > Interest is paid on the FERS military service deposit. (See Chapter 32 for additional details.) <

B. Refund Upon Application for Retirement

The information in section 23A1.1-5, paragraph B, applies to FERS employees, except for the statement that a reemployed annuitant can redeposit a refunded military deposit. FERS does not permit redeposits. (Also see paragraph C.)

NOTE: At retirement FERS disability retirees under age 62 will have to make a decision about the use of military service at age 62. If the employee is receiving military retired pay and decides not to waive it, he or she is entitled to a refund of the military deposit. However, the employee may want to waive the military retired pay at age 62. A FERS disability annuity will be recomputed at age 62 to an amount that represents the annuity the person would have received if he or she had continued working until the day before his or her sixty-second birthday and then retired under the FERS nondisability provisions. Including the military service at age 62, therefore, may entitle the individual to a higher annuity benefit. If the disability annuitant has received a refund of the military service deposit, it will not be possible to make a deposit for such service to include it in the computation of the annuity at the time the recomputation is made.

C. Refunded Military Service Credit Deposit Cannot Be Repaid

Unlike CSRS employees, if a FERS employee separates from Federal service and receives a refund of contributions and deposits or redeposits made to the Fund, he or she does not have a right to pay back the post-1956 military service credit deposit.

Part 23B2 Employee Procedures and Responsibilities

Section 23B2.1-1 Applying for Deposit

A. Applying for Deposit

The information in Part 23A2 applies to FERS employees whose military service will be credited under FERS rules; however, agencies must insert the statement shown in section 23B2.1-1B below on the SF 3108.

B. Complete SF 3108

If the FERS employee decides to pay the military deposit, he or she must obtain SF 3108, Application to Make Service Credit Payment for Civilian Service, from the employing agency. (See subchapter 23C for a sample copy of this form.)

The space below that in which the employee enters the military service to be covered by a deposit must contain the following statement to be entered by the employing agency.

"I wish to pay the deposit necessary to obtain credit for my military service after 1956. I understand that the entire deposit must be paid to my agency before separation for retirement and that if I do not complete the deposit at that time, the post-1956 military service will not be used to compute or establish title to a FERS annuity. Any incomplete deposit that will not pay for one or more full periods of military service will be refunded. Otherwise, my deposit is refundable only if I become eligible for a refund of civil service retirement contributions, or retire without waiving my military retired pay (if any).

"I further understand that the military deposit cannot be deemed paid at retirement if I am eligible for and elect an alternative annuity. If I do elect the alternative annuity upon retirement, any completed military deposits made to the Fund will be refunded to me along with any other retirement contributions or payments I made to the Fund."

ESTIMATED EARNINGS DURING MILITARY SERVICE

INSTRUCTIONS: Use a separate RI 20-97 for each branch of service. Attach DD 214 or equivalent and any available records of pay or promotions. If you do not have a DD 214 or equivalent, obtain an SF 180 from your personnel office and have your service verified before forwarding this form to the pay center. The pay center cannot provide estimated earnings unless verification of service is attached.

To

Employee name (Last, First, Middle)	
Other names used	
Social Security Number	Date of birth
All military service numbers	
Branch of Service	

The uniformed services must provide estimated basic pay by Federal employees for military service after December 31, 1956, for the purpose of making a deposit to the Civil Service Retirement and Disability Fund for retirement credit. Please provide the estimated basic pay earned by the above named employee.

Signature of requester	Relationship to employee ☐ Employee is requester ☐ Other (Specify ☐ Survivor	Date

Active military service after December 31, 1956 (Dates indicated below must be based on DD 214 or equivalent certification		TO BE COMPLETED BY AUTHORIZED OFFICIAL Estimated Earnings (Base Pay) (Do not provide estimated earnings for any period of service prior to January 1, 1957.)				
From (Mo,Dy,Yr)	To (Mo,Dy,Yr)	From (Mo,Dy,Yr)	To (Mo,Dy,Yr)	Rate of Basic Pay	Earnings	Type of Discharge
					$	
					$	
					$	
					$	
					$	

1. If period of service began before and ended after December 31, 1956, enter date service actually began. (Mo,Dy,Yr)	2. Lost time ☐ None ☐ Number of days _____ ☐ Inclusive dates ▸	From(Mo,Dy,Yr)	To(Mo,Dy,Yr)	From(Mo,Dy,Yr)	To(Mo,Dy,Yr)
Signature of authorized official furnishing estimate		Date(Mo,Dy,Yr)	Telephone number (Including Area Code)		
Typed name of authorized official		Title of authorized official			

Requester's name and address

◂ Return Completed Form to

RI 20-97

Send the Request for Earnings During Military Service to the appropriate address shown below.

Army
DFAS-Indianapolis Center
ATTN: DFAS-IN-FJFC-A
8899 East 56th Street
Indianapolis, IN 46249-0875

Phone (317) 543-7298

Navy
DFAS-Cleveland Center-FMCS
1240 East 9th Street
Cleveland, OH 44199-2055

Phone (216) 522-5974

Air Force
DFAS-DE-FJY
6760 East Irvington Place
Denver, CO 80279-3000

Phone (303) 676-7408

Marine Corps
DFAS-Kansas City Center/FBL
1500 E. 95th Street
Kansas City, MO 64197-0001

Phone (816) 926-7652 Fax (816) 926-7648

Coast Guard
Commanding Officer (SES)
Coast Guard Pay and Personnel Center
444 SE Quincy Street
Topeka, KS 66683-3591

Public Health Service
Public Health Service
Division of Commissioned Personnel
Compensation Branch
Parklawn Building, Room 4-50
5600 Fisher's Lane
Rockville, MD 20857

National Oceanic and Atmospheric Administration
National Oceanic and Atmospheric Administration
Department of Commerce
Commissioned Personnel Office
11400 Rockville Pike, Room 105
Rockville, MD 20852

employed in Federal service with CSRS coverage within the preceding 365 days.

[66 FR 15608, Mar. 19, 2001]

Subpart C—Credit for Service

§ 831.301 Military service.

(a) *Service of an individual who first became an employee or Member under the civil service retirement system before October 1, 1982.* A period of honorable active service after December 31, 1956, in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States, or, after June 30, 1960, in the Regular Corps or Reserve Corps of the Public Health Service, or, after June 30, 1961, as a commissioned officer of the National Oceanic and Atmospheric Administration (formerly Coast and Geodetic Survey and Environmental Science Services Administration), performed before the date of separation on which civil service annuity entitlement is based shall be included in the computation of the annuity provided—

(1) The employee or Member has completed 5 years' (18 months' for survivors of employees or Members who die in service) civilian service;

(2) The employee or Member is not receiving military retired pay awarded for reasons other than (i) service-connected disability incurred in combat with an enemy of the United States, (ii) service-connected disability caused by an instrumentality of war and incurred in line of duty during a period of war (as that term is used in chapter 11 of title 38, United States Code), or (iii) under chapter 67 of title 10, United States Code; and

(3)(i) The employee, Member, or survivor is not entitled, or upon application would not be entitled, to monthly old-age or survivors benefits under § 202 of the Social Security Act (41 U.S.C. 402) based on the individual's wages or self-employment income, or

(ii) For an employee, Member, or survivor who is entitled, or upon application would be entitled, to monthly old-age or survivors benefits under section 202 of the Social Security Act (41 U.S.C. 402) based on the individual's wages or self-employment income, the employee, Member, or survivor has completed a deposit in accordance with subpart U of this part, or the annuity has been reduced under § 831.303(d), for each full period of such military service performed after December 1956. If a deposit has not been completed or the annuity has not been reduced under § 831.303(d), periods of military service performed after December 31, 1956 (other than periods of military service covered by military leave with pay from a civilian position), are excluded from credit from and after the first day of the month in which the individual (or survivor) becomes entitled, or upon proper application would be entitled, to Social Security benefits under section 202. Military service performed prior to January 1957 is included in the computation of the annuity regardless of whether a deposit is made for service after December 31, 1956.

(ii) For an employee, Member, or survivor who is entitled, or upon application would be entitled, to monthly old-age or survivors benefits under § 202 of the Social Security Act (41 U.S.C. 402) based on the individual's wages or self-employment income, the employee, Member, or survivor has completed a deposit in accordance with subpart U of this part, for each full period of such military service performed after December 1956.

If a deposit has not been completed, periods of military service performed after December 31, 1956 (other than periods of military service covered by military leave with pay from a civilian position), are excluded from credit from and after the first day of the month in which the individual (or survivor) becomes entitled, or upon proper application would be entitled, to Social Security benefits under § 202. Military service performed prior to January 1957 is included in the computation of the annuity regardless of whether a deposit is made for service after December 31, 1956.

(b) *Service of an individual who first becomes an employee or Member under the civil service retirement system on or after October 1, 1982.* A period of honorable active service after December 31, 1956, in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States, or, after June 30, 1960, in the Regular Corps or Reserve Corps of the Public Health Service, or, after June

30, 1961, as a commissioned officer of the National Oceanic and Atmospheric Administration (formerly Coast and Geodetic Survey and Environmental Science Services Administration), performed before the date of separation on which civil service annuity entitlement is based shall be included in the computation of the annuity provided—

(1) The employee or Member has completed 5 years' (18 months' for survivors of employees or Members who die in service) civilian service;

(2) The employee or Member is not receiving military retired pay awarded for reasons other than (i) service-connected disability incurred in combat with an enemy of the United States, (ii) service-connected disability caused by an instrumentality of war and incurred in line of duty during a period of war (as that term is used in chapter 11 of title 38, United States Code), or (iii) under chapter 67 of title 10, United States Code; and

(3) The employee, Member, or survivor has completed a deposit in an amount equal to 7 percent of his or her basic pay under section 204 of title 37, United States Code, (plus interest, if any) or the annuity has been reduced under § 831.303(d), for each full period of such military service performed after December 1956.Military service performed prior to January 1957 is included in the computation of the annuity regardless of whether a deposit is made for service after December 31. 1956.

(c) *Military retirees and recipients of Veterans Administration benefits.* An employee or Member applying for annuity, who otherwise meets all conditions for receiving credit for military service, but who is in receipt of retired or retainer pay which bars credit for military service, may elect to waive the retired or retainer pay and have the military service added to civilian service for annuity computation purposes. An applicant for disability retirement, who is receiving a Veterans Administration pension or compensation in lieu of military retired or retainer pay, may elect to waive the retired or retainer pay and renounce the Veterans Administration pension or compensation and have the military service added to civilian service for annuity computation purposes.

(d) *Widow(er)s and former spouses entitled to annuity based on the service of employees or Members who die in service*—(1) *Military service is included unless the widow(er) or former spouse elects otherwise.* Effective April 25, 1987, unless a widow(er) or former spouse of an employee or Member who dies—on or after that date—before being separated from service files a written election to the contrary, his or her annuity will include credit for periods of military service (subject to the provisions of paragraphs (a) and (b) of this section) that would ordinarily be excluded from the computation of the employee's or Member's annuity under 5 U.S.C. 8332(c)(2).

(2) *Reduction by the amount of survivor benefits payable based on the military service.* (i) In paragraph (d)(2)(ii) of this section, ''survivor benefits under a retirement system for members of the uniformed services'' means survivor benefits before any offsets for benefits payable from another Federal benefit system except for those payable under title II of the Social Security Act. The amount of the survivor benefit to be deducted will be the amount payable to the current or former spouse and attributable to the decedent's retired or retainer pay for the period of military service to be included in the CSRS survivor annuity. However, the survivor benefit will never be reduced below the amount payable based on the civilian service alone.

(ii) OPM will obtain information on the amount of any monthly survivor benefits payable to each applicant for CSRS current or former spouse annuity. OPM will reduce the CSRS survivor annuity by the monthly military survivor benefit on its commencing date. OPM will not make a subsequent adjustment unless it is necessary to increase or decrease the CSRS survivor benefit because of a change in the amount of military survivor benefits attributable to the period of service or a change in the period of military service to be included in the CSRS annuity when the survivor annuitant becomes eligible for benefits under title II of the Social Security Act.

(3) *Widow(er)s or former spouses of employees or Members who die on or after April 25, 1987—election not to be included.* OPM will accept a written election from a widow(er) or former spouse who does not wish to be covered by §831.301(d) provided it is postmarked within the period ending 30 calendar days after the date of the first regular monthly annuity payment.

(4) *Widow(er)s or former spouses of employees or Members who die before April 25, 1987—application to OPM for credit.* Widow(er)s or former spouses of employees or Members who died before April 25, 1987, must apply to OPM in writing to have credit for military service included in the survivor annuity computation. If the survivor annuity is increased by including credit for the military service, the increase will be effective on the first of the month following the 60th calendar day after the date the written application for inclusion of the military service is received in OPM.

[48 FR 38784, Aug. 26, 1983, as amended at 51 FR 31931, Sept. 8, 1986; 52 FR 10026, Mar. 30, 1987; 53 FR 6555, Mar. 2, 1988; 66 FR 15608, Mar. 19, 2001]

§831.302 Unused sick leave.

(a) For annuity computation purposes, the service of an employee who retires on immediate annuity or dies leaving a survivor entitled to annuity is increased by the days of unused sick leave to his credit under a formal leave system.

(b) An immediate annuity is one which begins to accrue not later than 1 month after the employee is separated.

(c) A formal leave system is one which is provided by law or regulation or operates under written rules specifying a group or class of employees to which it applies and the rate at which sick leave is earned.

(d) In general, 8 hours of unused sick leave increases total services by 1 day. In cases where more or less than 8 hours of sick leave would be charged for a day's absence, total service is increased by the number of days in the period between the date of separation and the date that the unused sick leave would have expired had the employee used it (except that holidays falling within the period are treated as work days, and no additional leave credit is earned for that period).

(e) If an employee's tour of duty changes from part time to full time or full time to part time within 180 days before retirement, the credit for unused sick leave is computed as though no change had occurred.

[34 FR 17617, Oct. 31, 1969]

§831.303 Civilian service.

(a) *Periods of civilian service performed before October 1, 1982, for which retirement deductions have not been taken.* Periods of creditable civilian service performed by an employee or Member after July 31, 1920, but before October 1, 1982, for which retirement deductions have not been taken shall be included in determining length of service to compute annuity under subchapter III of chapter 83 of title 5, United States Code; however, if the employee, Member, or survivor does not elect either to complete the deposit describes by section 8334(c) of title 5, United States Code, or to eliminate the service from annuity computation, his or her annuity is reduced by 10 percent of the amount which should have been deposited (plus interest) for the period of noncontributory service.

(b) *Periods of service for which refunded deductions have not been redeposited, and periods of civilian service performed on or after October 1, 1982, for which retirement deductions have not been taken.* Except as provided in paragraph (c) of this section, a period of service for which refunded deductions have not been redeposited, and a period of creditable civilian service performed by an employee or Member on or after October 1, 1982, for which retirement deductions have not been taken, shall be included in determining length of service to compute the annuity under subchapter III of chapter 83 of title 5, United States Code, only if—

(1) The employee or Member subsequently becomes eligible for an annuity payable under subchapter III of chapter 83 of title 5, United States Code; and

(2) The employee, Member, or survivor makes a deposit (or redeposit) for the full period of service. If more than one distinct period of service is covered

NALC

4

Thrift Savings Plan

Retirement Manual

4 Thrift Savings Plan

The Thrift Savings Plan, or TSP, enables postal employees to contribute pre-tax earnings toward savings and investment for retirement. There are many detailed rules concerning TSP investments. This chapter provides a brief introduction.

Employees covered by FERS **MUST contribute to the TSP or expect to have little to live on in retirement.** CSRS employees also may contribute to the TSP, with some restrictions.

Contributing to TSP is a good investment strategy, for several reasons.

- First, contributions are made in payroll deductions each pay period and are made **before tax.** This means the amounts contributed are not included in your taxable income.
- You may allocate your TSP contributions among **five different investment funds.**
- The **growth of your TSP investments is tax-free** for as long as your funds remain with the TSP. Once you retire and receive payments from your TSP nest egg, you will be taxed on the amounts received. (See Chapter 11, Taxes.)
- The Postal Service **automatically contributes one percent (1%)** of FERS employees' basic pay to TSP. There is also a formula for additional matching funds.*

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A. Summary of the Thrift Savings Plan for Federal Employees —August 2005

B. Making the Right Move!—TSP Withdrawls—June 2005

C. TSP Highlights July 2005—L Funds Offer a New Approach

D. Catch-Up Contributions (TSP Fact Sheet)

E. Annual Limit on Elective Deferrals (TSP Fact Sheet)

F. TSP Highlights July 2004—How Much Do You Need for Retirement

G. TSP Highlights January 2004—Changes to the TSP Loan Program

More Information

See NALC's booklet on FERS, *Questions & Answers on the Federal Employees' Retirement System.*

Also see the OPM website, www.opm.gov. To find the CSRS & FERS Handbook, on the OPM home page choose HR Tools and Resources>Benefits and Retirement> CSRS and FERS Handbook for Personnel and Payroll Offices.

** CSRS employees do not receive any TSP contributions from USPS.*

Page Revised January 2006

Summary of the Thrift Savings Plan

August 2005

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Information beginning and ending with ★★★ is for members of the uniformed services only.

Contact Information

There are numerous sources of information about the Thrift Savings Plan (TSP or Plan).

The most up-to-date information about the Plan in general, and your account in particular, is on the TSP's Web site. You can also obtain limited information about the Plan and your account from the TSP's automated voice response system, the ThriftLine.

If you need clarification about the Plan's features or have additional questions about your account, your best resource while you are still employed by the Federal Government is your agency or service. It is responsible for correcting or changing your personal TSP-related information and resolving any issues regarding your contributions and loan payments. If necessary, it will also be able to contact the TSP on your behalf.

If you are separated from Federal service, your primary resource is the TSP Service Office.

The Appendix can direct you to the best sources of information on specific topics.

TSP Web Site:	www.tsp.gov
ThriftLine:	1-TSP-YOU-FRST (1-877-968-3778) (For calls outside the U.S., Canada, and most U.S. territories, use 404-233-4400.)
TSP Service Office:	TSP Service Office P.O. Box 61500 New Orleans, LA 70161-1500
Telephone:	Call the ThriftLine to speak to a Participant Service Representative. (7 a.m. – 9 p.m. eastern time)
Text Telephone (TDD):	1-TSP-THRIFT5 (1-877-847-4385)
TSP Service Office Fax:	504-255-5199

Welcome to the Thrift Savings Plan

As a Federal employee or member of the uniformed services, you have the opportunity to participate in the Thrift Savings Plan (TSP).

The TSP is a retirement benefit that is offered to employees of the U.S. Government. It is similar to "401(k)" plans available to many private sector employees. The purpose of the TSP is to give you the opportunity to participate in a long-term savings and investment plan.

Saving for your retirement through the TSP provides numerous advantages, including:

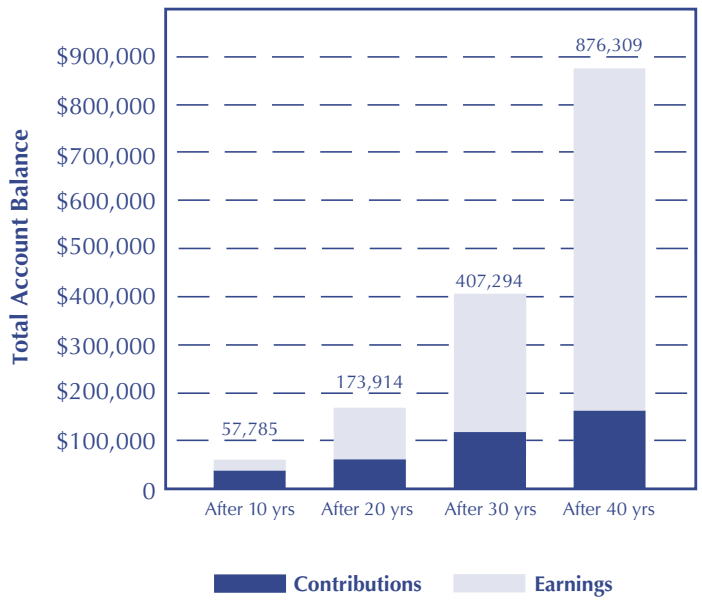
- before-tax contributions and tax-deferred investment earnings
- automatic payroll deductions
- low administrative and investment expenses
- a diversified choice of investment options, including professionally designed lifecycle funds
- agency contributions, if you are a FERS employee
- limited access to your money while you are still employed by the Federal Government
- a portable retirement account that can move with you when you retire or leave Federal service
- a variety of withdrawal options.

If you are covered by the Federal Employees' Retirement System (FERS), the TSP is one part of a three-part retirement package that also includes your FERS basic annuity and Social Security. If you are covered by the Civil Service Retirement System (CSRS) or are a member of the uniformed services, the TSP is a supplement to your CSRS annuity or military retired pay.

TSP benefits differ depending upon your retirement system (FERS, CSRS, or uniformed services). Therefore, if you are not certain which retirement system you belong to, you should check with your personnel or benefits office.

Regardless of your retirement system, participating in the TSP can significantly increase your retirement income, but starting early is important. Contributing early gives the money in your account more time to increase in value through the compounding of earnings.

Earnings Potential of Your TSP Account*



* Information in this chart assumes a salary of $40,000, employee and agency contributions of 5% each, and a 7% rate of return.

Plan for your future . . .

Use the "Retirement Planning" calculator on the TSP Web site to estimate how much you will need to save each year to meet your retirement goals. You can also use the Web calculator, Projecting Your Account Balance, to see how your account can grow.

Are you a new participant?

Getting started:

1 Let your agency or service know how much of your pay you want to contribute by making a contribution election. (Page 2)

2 Verify the personal information contained in the "welcome" letter you receive from the TSP after your account is opened.

3 Look for your TSP Personal Identification Number (PIN) in the mail. You use it to access your TSP account on the TSP Web site and the ThriftLine.

4 Tell the TSP how you want your future contributions invested by making a "contribution allocation." (Page 11)

5 Initial contributions will be invested in — and will remain in — the G Fund unless you make an "interfund transfer." (Page 11)

6 If you wish, designate beneficiaries to receive your account in the event of your death. (Page 18)

Contributing to the TSP

There are three sources of TSP contributions:

- Employee Contributions
- Agency Automatic (1%) Contributions
- Matching Contributions

Employee Contributions

There are two types of employee contributions:

- Regular employee contributions
- Catch-up contributions

Regular Employee Contributions. These are payroll deductions that any eligible Federal civilian employee or member of the uniformed services can make from basic pay before taxes are withheld. You can begin making these contributions at any time.

Each pay period, your agency or service will deduct your contributions to the TSP from your pay in the amount you choose. Your agency or service will continue to do so until you make a new TSP election changing the amount of your contribution or stopping it.

Catch-Up Contributions. These are payroll deductions that participants who are age 50 or older may be eligible to make **in addition to** regular employee contributions. These deductions are also taken from before-tax basic pay. To be eligible to make catch-up contributions, you must already be contributing the maximum amount of employee contributions.

Once you are eligible, you can begin making catch-up contributions at any time. Each pay period, your agency or service will make your contributions to the TSP from your pay in the amount you choose.

Your catch-up contributions will stop automatically when you meet the IRS limit, when the amount of the catch-up contributions you elected has been reached, or at the end of the calendar year, whichever comes first. You must make a new election for each calendar year.

If you are a member of the uniformed services, you can also contribute from 1 to 100 percent of any incentive pay, special pay, or bonus pay — as long as you elect to contribute from basic pay. However, you cannot contribute from allowances such as housing or subsistence.

You can elect to contribute from incentive pay, special pay, or bonus pay, even if you are not receiving any. These contributions will be deducted when you receive this type of pay.

If you are receiving tax-exempt pay (i.e., pay that is subject to the combat zone tax exclusion), your contributions from that pay will also be tax-exempt.

You cannot make catch-up contributions from tax-exempt pay, incentive pay, special pay, or bonus pay.

To begin, change, or stop your employee contributions, you must make a TSP contribution election. You should ask your personnel or benefits office if your agency or service handles TSP enrollment with paper forms or electronically through automated systems such as myPay, PostalEASE, or Employee Self-Service.

If you need to submit a paper request, use Form TSP-1 for regular employee contributions and Form TSP-1-C for catch-up contributions. (Members of the uniformed services should use the "U" version of these forms.) You can obtain copies of these forms from the TSP Web site or from your agency or service. Return your completed form to your agency or service.

Whether you submit your contribution election electronically or use a paper form, the election should be effective no later than the first full pay period after your agency or service receives it.

Agency Automatic (1%) Contributions

If you are a FERS employee, your agency will contribute an amount equal to one percent of the basic pay you earn each pay period to your account. These contributions are called Agency Automatic (1%) Contributions. To get these contributions, you do not need to be making employee contributions. However, new FERS employees (and rehired FERS employees who were not previously eligible for agency contributions) must serve a waiting period before becoming eligible for agency contributions. See the chart for more information on the eligibility dates for these contributions.

Agency Automatic (1%) Contributions are not taken out of your pay; nor do they decrease the dollar amount of your pay for income tax or Social Security purposes.

Vesting. Agency Automatic (1%) Contributions are subject to "vesting." You become "vested" in (that is, entitled to keep) these contributions and any earnings they accrue only after you have completed a time-in-service requirement — which is 3 years for most FERS employees and 2 years for FERS employees in Congressional and certain noncareer positions. All Federal civilian service counts toward vesting — not just service while you are a TSP participant.

The date your vesting period begins is determined by your TSP Service Computation Date (TSP-SCD), which your agency reports to the TSP record keeper. If you are a FERS participant, you can check your TSP-SCD on your quarterly TSP participant statements. The date will never be earlier than January 1, 1984.

If you leave Government service before satisfying the vesting requirement, the Agency Automatic (1%) Contributions and their earnings will be forfeited to the TSP. If you die before separating from service, you automatically become vested in all the money in your TSP account.

Note: You are immediately vested in your own contributions and in any earnings they accrue. If you are receiving Matching Contributions, you are also immediately vested in those contributions and any earnings they accrue.

Matching Contributions

FERS employees receive matching contributions from their agencies on their regular employee contributions as soon as they become eligible for agency contributions.

Submitting a contribution election:

Make certain that you submit your completed contribution election form to your agency or service. Only your agency or service can process contribution elections because it is responsible for paying you — and contributions **must** be deducted from your pay.

To verify the amount you are contributing each pay period, check your pay and leave statement.

Transferring to another agency or service?

Be sure to notify your new personnel/payroll office that you have been contributing to the TSP. This will help ensure that your contributions (and any loan payments) can continue without interruption.

If contributions do not start in a timely manner, it is your responsibility to notify your agency or service. If you do not do so, it is possible that you will not be able to make up all missed contributions.

Eligibility Dates for Agency Automatic and Matching Contributions

If your FERS employment begins:	Your agency contributions will begin the first full pay period in:
12/1/04 — 5/31/05	December 2005
6/1/05 — 11/30/05	June 2006
12/1/05 — 5/31/06	December 2006
6/1/06 — 11/30/06	June 2007
12/1/06 — 5/31/07	December 2007

Don't throw away free money!

If you are a FERS employee, your agency matches your contributions — up to 4% if you contribute 5%. This is free money.

And, if you add the Agency Automatic (1%) Contribution, you double your investment instantly.

If you are a FERS participant, you receive Matching Contributions on the first five percent of pay that you contribute each pay period. The first three percent of pay that you contribute will be matched dollar-for-dollar; the next two percent will be matched at 50 cents on the dollar. Contributions above five percent will not be matched. If you stop making regular employee contributions, your Matching Contributions will also stop.

Like Agency Automatic (1%) Contributions, Matching Contributions are not taken out of your pay. They also do not increase the dollar amount of your pay for income tax or Social Security purposes. Combined with the Agency Automatic (1%) Contribution, they can add as much as five percent of basic pay to your TSP account. (See the chart below.)

Note: CSRS participants do not receive matching contributions. There are no matching contributions for catch-up contributions.

Currently, members of the uniformed services do not receive matching contributions. However, the law that extended participation in the TSP to members of the uniformed services allows the secretary of each individual service to designate particular critical specialties as eligible for matching contributions under certain circumstances. At the time of this writing, no critical specialties had been designated.

Agency Contributions to Your Account (FERS Employees Only)

You put in:	Your agency puts in:		And the total contribution is:
	Automatic (1%) Contribution	Agency Matching Contribution	
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
More than 5%	1%	4%	Your contribution + 5%

Tax Advantages

You receive a number of tax benefits when you participate in the TSP:

- **Contributions in "before-tax" dollars.** The money you contribute to the TSP is taken out of your pay each pay period before Federal (and, in almost all cases, state) income taxes are calculated. As a result, the amount of pay used to calculate your taxes is reduced, so less money is withheld from your pay for taxes.

Before-Tax Savings Through the TSP	
Annual pay *(taxable income)*	$40,000
Minus TSP contributions (5% of $40,000)	– 2,000
Net taxable income	38,000
Minus estimated Federal income tax at 25%	– 4,121
Net spendable income	$33,879

After-Tax Savings Outside the TSP	
Annual pay *(taxable income)*	$40,000
Minus estimated Federal income tax at 25%	– 4,621
Net income after taxes	35,379
Minus savings *(no tax advantage)* (5% of $40,000)	– 2,000
Net spendable income	$33,379

The Difference

If you contributed before-tax money to the TSP, you would have **$500 more in your pocket**.

($33,879 – $33,379 = $500)

If you pay taxes at a higher rate than 25%, the advantage of before-tax contributions to the TSP will be even greater.

- **"Tax-deferred" earnings.** You defer paying Federal income tax on the earnings that your account accrues over the years. Generally, the longer you keep your money in the TSP, the more earnings you accrue and the more you benefit from tax-deferred savings.
- **Saver's Tax Credit.** This credit is available to participants with an adjusted gross income of no more than $50,000 if married filing jointly, $37,500 if head of household, or $25,000 if single or married filing separately. If you participate in the TSP during tax years 2002 through 2006, you may be eligible for up to $1,000 on your Federal income tax return for each year you contribute.

  For more information about this tax credit, consult your tax advisor or refer to Internal Revenue Service (IRS) Publication 553.

Tax Liability

When you withdraw your money from the TSP, you will owe tax on the contributions and earnings that have accrued. However, you will most likely pay those taxes after you retire, when your income, and consequently your tax bracket, may be lower.

In addition to the regular income tax you will have to pay on money you withdraw from the TSP, you may also be subject to an early withdrawal penalty tax of 10%. The early withdrawal penalty tax and the exceptions that apply to it are explained in the TSP tax notice "Important Tax Information About Payments From Your TSP Account" which is available from the TSP Web site.

The tax rules that apply to distributions from the TSP and other tax-deferred plans are complex and you may also want to consult with a tax advisor or the IRS before you make any withdrawal decisions.

The early withdrawal penalty tax:

If you leave before the year you turn 55, you *may* be subject to the 10% early withdrawal penalty tax.

Participants who generally retire early — such as air traffic controllers, law enforcement officers, firefighters, members of the uniformed services, and Foreign Service personnel — will need to consider the early withdrawal penalty tax when planning withdrawals from their TSP accounts.

Don't lose out on Matching Contributions!

If you are a highly paid FERS employee or you participate in the TSP as a FERS employee and as a member of the uniformed services, your contributions may cause you to reach the IRS limit before the end of the year. This means that you could lose out on some Agency Matching Contributions. See the TSP Fact Sheet, Annual Limit on Elective Deferrals, for more details.

Contribution Limits

Both the IRS and the TSP place limits on the amount of contributions that can be made to the TSP. Beginning in 2006, however, the TSP contribution limits will be eliminated and only the IRS limits will apply. (See the chart below.)

The IRS elective deferral limit is a limit that the IRS places on regular employee contributions to retirement plans such as the TSP. The elective deferral limit applies only to regular employee contributions that are made in before-tax (i.e., tax-deferred) dollars.

The IRS section 415 limit is an additional limit that the IRS imposes on the total amount of **all** contributions made to eligible retirement plans in a year. "All contributions" include employee contributions (both tax-deferred and tax-exempt), Agency Automatic (1%) and Matching Contributions, and similar contributions made to **other** eligible retirement plans.

For 2005, the IRS Section 415 limit is $42,000 or 100% of compensation, whichever is less.

The IRS catch-up contribution limit is the maximum amount of catch-up contributions that can be contributed in a given year. It is separate from the elective deferral limit imposed on regular employee contributions.

The elective deferral limit does not apply to contributions made from the tax-exempt pay a member of the uniformed services may receive. If you are a member of the Ready Reserve who is contributing to both a uniformed services and a civilian TSP account as a FERS employee, this limit applies to the total amount of tax-deferred employee contributions you make in a calendar year.

If you are a member of the uniformed services and have two TSP accounts, or if you are participating in other eligible plans, you need to pay particular attention to the Section 415 limit.

Contribution Limits

	TSP Limit on Regular Contributions		IRS Limits*		
Year	FERS	CSRS and Uniformed Services	Elective Deferral Limit on Regular Contributions**	Limit on Catch-Up Contributions	Section 415 Limit
Through December 2005	15%	10%	$14,000	$4,000	$42,000 or 100% of compensation
2006 and thereafter	Limits eliminated		$15,000	$5,000	Not announced

* These amounts can change annually.

** For uniformed services participants, this includes all tax-deferred contributions from basic pay, incentive pay, special pay, and bonus pay.

Moving Money From Other Plans Into the TSP

The TSP can accept transfers and rollovers of eligible distributions from a traditional IRA or another eligible employer plan. This is a way for you to consolidate a 401(k) or similar plan account from a prior employer with your TSP account.

There are two ways to move money from an IRA or another eligible plan into the TSP:

(1) **Transferring money directly into the TSP.** You can have your IRA or plan send all or part of the money directly to the TSP. This is referred to as a **"transfer"** (or "direct rollover"); or

(2) **Rolling money over to the TSP.** You can receive the money from your IRA or plan and put it into the TSP yourself. This is referred to as a **"rollover."** If you decide to do a rollover, you will have **60 days** to complete it, beginning on the date when you receive the funds. You may roll over all or part of the money you receive. However, your IRA or former plan should have withheld the appropriate amount for taxes when it sent the money to you. Therefore, if you want to roll over the **entire** amount of the distribution, you will have to make up the difference (i.e., the amount withheld for taxes) from your own funds. Any amount that you do not roll over will be subject to Federal tax.

Your transfer or rollover will be invested in the TSP according to your latest contribution allocation (not the way money already in your account is invested).

Money you move into the TSP from an IRA or another eligible plan is not subject to any contribution limits.

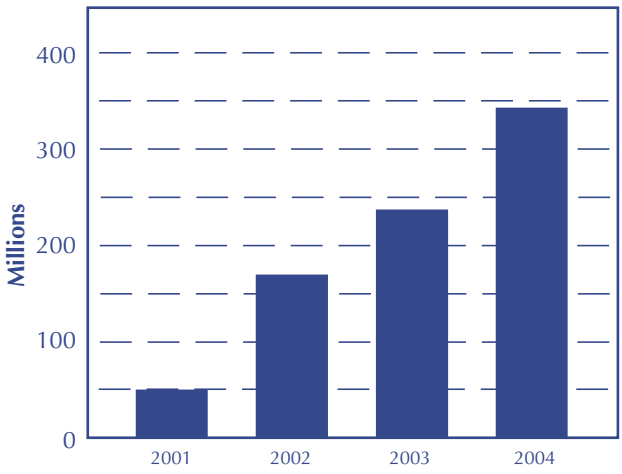
The money you move into the TSP, and the associated earnings, will be subject to income tax when you eventually withdraw your TSP account.

Restrictions. The conditions under which the TSP will accept a transfer or a rollover are strict.

- The money must be considered an "eligible rollover distribution" for Federal income tax purposes. (Verify this by checking with your tax advisor or the administrator of the plan from which you are moving the money.)
- The TSP will only accept "before-tax" money from IRAs and eligible employer plans.
- You can transfer money into the TSP only if you have an open TSP account (and are not receiving monthly payments from it).
- You cannot open a TSP account by transferring money into it.

Note: The money you move into the TSP will not be posted to your account until the TSP record keeper receives a properly completed Form TSP-60, Request for Transfer Into the TSP.

Rollovers and Transfers Into the TSP



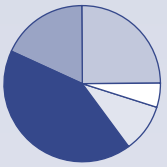
The figures for 2001 are from July 1 – December 31, 2001.

Moving money from an IRA or another plan into the TSP?

Make sure you (or your IRA or plan) provide your name and Social Security number (SSN) on or with the check.

If the TSP cannot identify a check it receives, the check will not be deposited into the TSP participant's account; instead, the money will be returned to the initiator of the check.

Initial L Fund Allocations



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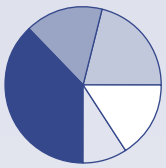

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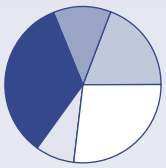
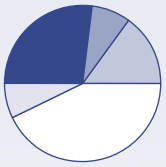
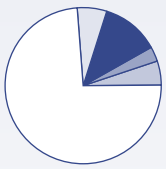


L 2020



L 2010



L Income

G Fund

F Fund

C Fund

S Fund

I Fund

Investing in the TSP

The TSP offers you two approaches to investing your money:

- **The L Funds —** These are "lifecycle" funds that are invested according to a professionally designed mix of stocks, bonds, and Government securities. You select your L Fund based on your "time horizon," which is when you will need the money after you leave Federal service.
- **Individual Funds —** You make your own decisions about your investment mix by choosing from any or all of the individual TSP investment funds (G, F, C, S, and I).

These investment options are designed so you can choose either the L Fund that is appropriate for your time horizon, or a combination of the individual TSP funds that will support your personal investment strategy. However, you may invest in any fund or combination of funds. Because the L Funds are already made up of the five individual funds, you will duplicate your investments if you invest simultaneously in an L Fund and the individual TSP funds.

The L Funds

The L Funds are designed for participants who may not have the time, experience, or interest to manage their TSP retirement savings.

The five **L Funds** are:

L 2040 — For participants who will need their money in the year 2035 or later.

L 2030 — For participants who will need their money between 2025 and 2034.

L 2020 — For participants who will need their money between 2015 and 2024.

L 2010 — For participants who will need their money between 2008 and 2014.

L Income — For participants who are already withdrawing their accounts in monthly payments or who expect to begin withdrawing by 2008.

The assumption underlying the L Funds is that participants with longer investment time horizons are able to tolerate more risk while seeking higher returns. The funds automatically adjust to reflect a lower tolerance for risk as the investment time horizon approaches.

Each L Fund invests in a mix of the five individual TSP funds. The mix is chosen by experts based on each fund's time horizon. The L Funds are designed to achieve the best expected return for the least amount of risk. If the time horizon is a long time from now, the L Fund will be more heavily weighted toward stocks (C, S and I Funds). As that fund's time horizon approaches, the allocation will gradually shift towards Government securities and bonds (G and F Funds).

The L Income Fund is designed to preserve your account balance while protecting against inflation.

Here are the initial investment mixes for each L Fund:

Initial Asset Allocations for L Funds

	L 2040	L 2030	L 2020	L 2010	L Income
G	5%	16%	27%	43%	74%
F	10%	9%	8%	7%	6%
C	42%	38%	34%	27%	12%
S	18%	16%	12%	8%	3%
I	25%	21%	19%	15%	5%

Each L Fund is automatically rebalanced each business day to restore the fund to its intended investment mix. Each quarter,

the fund's asset allocation is adjusted to slightly more conservative investments. When an L Fund reaches its time horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon.

Investing in the L Funds does not eliminate risk and the funds are not guaranteed against loss. The L Funds are subject to the risks inherent in the underlying funds, and can have periods of gain and loss.

The Individual Funds

The TSP has five individual investment funds:

The Government Securities Investment (G) Fund — The G Fund is invested in short-term U.S. Treasury securities. It gives you the opportunity to earn rates of interest similar to those of long-term Government securities with no risk of loss of principal. Payment of principal and interest is guaranteed by the U.S. Government. Interest on the G Fund has historically outpaced inflation and 90-day Treasury (T-Bill) rates.

The Fixed Income Index Investment (F) Fund — The F Fund is invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) index. This is a broad index representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market. This fund offers you the opportunity to earn rates of return that exceed money market fund rates over the long term (particularly during periods of declining interest rates).

The Common Stock Index Investment (C) Fund — The C Fund is invested in a stock index fund that tracks the Standard & Poor's (S&P) 500 stock index. This is a broad market index made up of the stocks of 500 large to medium-sized U.S. companies. It offers you the potential to earn high investment returns over the long term.

The Small Capitalization Stock Index (S) Fund — The S Fund is invested in a stock index fund that tracks the Dow Jones Wilshire 4500 Completion (DJW 4500) index. This is a broad market of small and medium-sized U.S. companies that are not included in the S&P 500 index. It offers you the opportunity to earn potentially higher investment returns over the long term than you would in the C Fund, but with greater volatility.

International Stock Index Investment (I) Fund — The I Fund is invested in a stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) index. This is a broad international market index, made up of primarily large companies in 21 developed countries. It gives you the opportunity to invest in the international market with the potential to earn high investment returns over the long term.

The chart on page 10 compares these five funds and provides more information about each.

Because the TSP funds are trust funds that are regulated by the Office of the Comptroller of the Currency and not by the Securities and Exchange Commission (SEC), they do not have ticker symbols (i.e., unique identifiers assigned to securities (including mutual funds) registered with the SEC). You can, however, obtain additional information about the underlying indexes that certain TSP funds track by visiting the following Web sites:

TSP Fund	Index TSP Fund Tracks
F Fund	Lehman Brothers U.S. Aggregate bond index (www.lehman.com)
C Fund	Standard & Poor's 500 stock index (www.standardandpoors.com)
S Fund	Dow Jones Wilshire 4500 Completion stock index (www.wilshire.com or www.djindexes.com)
I Fund	Morgan Stanley Capital International EAFE stock index (www.msci.com)

Not comfortable with your own level of experience?

Put your investments on cruise control.

1 Choose the L Fund with the time horizon closest to the year you anticipate withdrawing your account.

2 Make a contribution allocation and/or interfund transfer to invest your contributions in that L Fund.

3 Let the L Fund do the rest for you.

Managing Your Investments

Remember that your retirement strategy may change. Periodically, check the way you are investing in the TSP.

Also, if you're taking charge of your own investments, remember to rebalance your account to keep your investments in line with your strategy.

Comparison of the TSP Funds

The chart below provides a comparison of the available TSP Funds. For **more detailed information** about each fund, obtain a copy of the **TSP Fund Information Sheets** (available on the TSP Web site, from your agency or service, or from the TSP Service Office).

	G Fund	F Fund*	C Fund*	S Fund*	I Fund*	L Funds**
Description of Investments	Government securities (specially issued to the TSP)	Bonds	Stocks of large and medium-sized U.S. companies	Stocks of small to medium-sized U.S. companies (not included in the C Fund)	International stocks	Invested in the G, F, C, S, and I Funds
Objective of Fund	To obtain long-term Treasury rates without risk of loss	To match the performance of the Lehman Brothers U.S. Aggregate (LBA) index	To match the performance of the S&P 500 index	To match the performance of the Dow Jones Wilshire 4500 Completion (DJW 4500) index	To match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) index	To provide professionally diversified portfolios based on various time horizons, using the G, F, C, S, and I Funds
Risk (See page 11)	Inflation risk	Market risk Credit risk Prepayment risk Inflation risk	Market risk Inflation risk	Market risk Inflation risk	Market risk Currency risk Inflation risk	Risk based proportionally on risk in underlying funds
Volatility	Low	Low to moderate	Moderate	Moderate to high — historically more volatile than C Fund	High — historically more volatile than C or S Funds	Diversification reduces volatility as time horizon approaches
Types of Earnings	Interest	Change in market prices Interest	Change in market prices Dividends	Change in market prices Dividends	Change in market prices Change in relative value of currency Dividends	Composite of earnings in the underlying funds
Earnings* as of 12/31/04**						
1 Year	4.3%	4.3%	10.8%	18.0%	20.0%	N/A
5 Year	5.0%	7.7%	–2.3%	N/A	N/A	
10 Year	5.7%	7.7%	12.0%	N/A	N/A	
from Inception	6.7%	7.7%	12.1%	8.5%	4.5%	
Inception Date	April 1, 1987	Jan. 29, 1988	Jan. 29, 1988	May 1, 2001	May 1, 2001	August 1, 2005
Cost to participant (i.e., expenses)	.06% (6 basis points) $.60 per $1,000 of account balance	.05% (5 basis points) $.50 per $1,000 of account balance	.06% (6 basis points) $.60 per $1,000 of account balance	.06% (6 basis points) $.60 per $1,000 of account balance	.06% (6 basis points) $.60 per $1,000 of account balance	Based on costs of underlying funds

* The F, C, S, and I Funds also have earnings from securities lending income and from temporary investments in G Fund securities. These amounts represent a very small portion of total earnings.

** Each of the L Funds is invested in the individual TSP funds (G, F, C, S, and I). The proportion of your L Fund balance invested in each of the individual TSP funds depends on the L Fund you choose.

*** Earnings are calculated after administrative expenses are deducted. There is no guarantee that future rates of return for any fund will replicate historical rates.

Fund Risks

There are various types of risk associated with the TSP funds. There is no risk of investment loss in the G Fund. However, investment losses can occur in the F, C, S, and I Funds. Because the L Funds are invested in the individual TSP funds, they are also subject to the risk of these underlying funds. The types of risk include:

- **Credit risk —** The risk that a borrower will default on a scheduled payment of principal and/or interest. This risk is present in the F Fund.
- **Currency risk —** The risk that the value of a currency will rise or fall relative to the value of other currencies. Currency risk occurs with investments in the I Fund because of fluctuations in the value of the U.S. dollar in relation to the currencies of the 21 countries in the EAFE index.
- **Inflation risk —** The risk that your investments will not grow enough to offset the effects of inflation. This risk is present in all five funds.
- **Market risk —** The risk of a decline in the market value of the stocks or bonds. This risk is present in the F, C, S, and I Funds.
- **Prepayment risk —** A risk associated with the mortgage-backed securities in the F Fund. During periods of declining interest rates, homeowners may refinance their high-rate mortgages and prepay the principal. The F Fund must reinvest the cash from these prepayments in current bonds with lower interest rates, which lowers the return of the fund.

Contribution Allocations and Interfund Transfers

There are two types of investment transactions you can make:

- A contribution allocation
- An interfund transfer

Contribution Allocations. A contribution allocation specifies the way you want to invest the new money that goes into your TSP account. You may make a contribution allocation at any time.

Your contribution allocation will apply to all future contributions to your account. These include: employee contributions; agency contributions you receive if you are a FERS employee; any special pay, incentive pay, or bonus pay that you contribute if you are a member of the uniformed services; any money you move into the TSP from other retirement plans; and any TSP loan payments. Your contribution allocation will not affect money that is already in your account.

Your contribution allocation will remain in effect until you submit another contribution allocation.

Interfund Transfers. An interfund transfer moves the money already in your account among the TSP investment funds. When you make an interfund transfer, you choose the new percent you want invested in each fund. You cannot move a specific dollar amount among the funds.

Making a contribution allocation or interfund transfer. You can make either of these transactions at any time on the TSP Web site or the ThriftLine. You can also submit an Investment Allocation form (TSP-50, or TSP-U-50 if you are a member of the uniformed services) to the TSP.

To make a contribution allocation or interfund transfer on the TSP Web site or the ThriftLine, you will need your 4-digit Personal Identification Number (PIN). (See page 19.) A contribution allocation or interfund transfer made on the TSP Web site or the ThriftLine by 12 noon eastern time is generally processed on the next business day. A contribution allocation or interfund transfer made by submitting an Investment Allocation form will generally take effect within 2 business days of the date the TSP **receives** the form.

What is the difference between a contribution allocation and an interfund transfer?

A "contribution allocation" tells the TSP where to invest the new money it receives from you or your agency. It does not affect the investment of money that is already in your account.

An "interfund transfer" tells the TSP to move money that is already in your account among the different TSP funds. It does not affect the investment of future deposits.

The Web and the ThriftLine are the most efficient ways to make contribution allocations or interfund transfers.

When a little can mean a lot:

Costs are important in saving for your retirement. Even small differences in expenses can, over time, have a dramatic effect on a fund's performance (and the size of your account).

Confirmation of Transaction. You will receive a confirmation of your contribution allocation or interfund transfer in the mail. If you make your request on the Web site, you will have the option of receiving your confirmation via e-mail.

Administrative Expenses

TSP expenses (i.e., the cost of administering the program) include management fees for each investment fund and the costs of operating and maintaining the TSP's record keeping system, providing participant services, and printing and mailing publications.

These expenses are paid from the forfeitures of Agency Automatic (1%) Contributions of FERS employees who leave Federal service before they are vested, and — because those forfeitures are not sufficient to cover all of the TSP's expenses — earnings on participants' accounts.

The effect of administrative expenses (after forfeitures) on the earnings of the G, F, C, S, and I Funds is measured by the expense ratio of each fund. The expense ratio for a fund is the total administrative expenses charged to that fund during a specific period, divided by that fund's average balance for that period.

The administrative expenses associated with the L Funds are those associated with the underlying G, F, C, S, and I Funds, calculated in proportion to their allocations in each L Fund. The L Funds do not have any additional charges.

Your share of TSP net administrative expenses is based on the size of your account balance. For example, the G Fund's expense ratio for 2004 was .06 percent. Therefore, if you invested in the G Fund in 2004, earnings were reduced by $.60 per $1,000 of your G Fund balance.

The following chart shows the expense ratios for each of the TSP funds over the last 10 years.

Administrative Expenses

Year	G Fund	F Fund	C Fund	S Fund	I Fund
1995	.09%	.11%	.10%	–	–
1996	.08%	.10%	.09%	–	–
1997	.07%	.08%	.07%	–	–
1998	.06%	.08%	.07%	–	–
1999	.05%	.07%	.06%	–	–
2000	.05%	.07%	.06%	–	–
2001	.06%	.06%	.06%	.05%*	.05%*
2002	.06%	.06%	.07%	.07%	.07%
2003**	.10%	.10%	.10%	.10%	.10%
2004	.06%	.05%	.06%	.06%	.06%

* The 2001 expense ratios for the S and I Funds are for the period beginning May 2001 (the inception of the S and I Funds) through December 2001.

** The expense ratios for 2003 include the net result of the Agency's settlement of litigation resulting from a termination of its contact with American Management Systems, Inc.

TSP Loans and Withdrawals

Because the purpose of the TSP is to help you save money for your retirement, there are rules that restrict when and how you may take money out of your account while you are still employed.

Once you leave Federal service, however, you can take your money out at any time. However, if you make a withdrawal before you reach age 59½, the IRS may impose a tax penalty on the disbursement.

There are three ways to get your money out of the TSP:

- A loan
- An in-service withdrawal
- A post-separation withdrawal (i.e., a withdrawal after you separate from service)

Loans

Loans are available only to participants who are actively employed, who are in pay status, and who have contributed their own money to the TSP.

When you take a loan, you are borrowing your own contributions and the earnings on those contributions. When your loan is approved, the amount of the loan is removed from your TSP account. As you repay your loan, your loan repayments restore the amount of your loan, plus interest, to your account.

Cost of Taking a Loan. You repay your loan with interest. The interest rate is the interest rate for the G Fund at the time your loan application is processed.

The TSP also charges a processing fee of $50 for each loan. This fee is used to cover the cost of processing and servicing your loan. It is **deducted from the amount** of the loan that you receive.

Before you take a loan, consider that your loan costs are not limited to the interest and fee that you pay. The cost of a loan can be much more substantial. When you borrow from your account, you miss out on the earnings that might have accrued on the money you borrowed. Even though you must pay the money back to your account with interest, the interest may be less than what you might have earned if you had kept the money in the TSP.

Types of Loans. There are two types of TSP loans:

- A general purpose loan
- A loan for the purchase or construction of a primary residence

You can have only one general purpose and one residential loan outstanding at a time.

Loan amount. The total amount that you borrow is limited to your own contributions and the earnings on those contributions. You cannot borrow less than $1,000 or more than $50,000. You can find out the amount you may be eligible to borrow from your TSP account by visiting the TSP Web site or calling the ThriftLine. You can also use the Loan Calculator on the TSP Web site to estimate your loan payment amount before you request a loan.

Documentation. You do not need to provide any type of documentation for a general purpose loan. However, you will need to provide documentation for a residential loan.

Waiting period between loans. You must wait 60 days from the time you pay off one loan until you are eligible to request another loan of the same type.

Considering a loan?

Consider carefully its impact on your TSP account. (See "Cost of Taking a Loan" and the TSP booklet *Loans*.) You should borrow from your retirement account only after you have exhausted all your other options.

Want to make additional payments or make up missed payments?

You can send extra payments directly to the TSP to pay off your loan sooner or to make up missed payments. To ensure that your payments are properly identified, be sure you put your Social Security number and loan number on your payment and attach a Loan Payment Coupon. The coupon is available from the TSP Web site or the TSP Service Office.

Considering an in-service withdrawal?

An in-service withdrawal permanently depletes your retirement savings because you cannot pay this amount back (as you can with a loan).

Be sure you understand the consequences of an in-service withdrawal **before** you take money out of your account.

Read the TSP booklet *In-Service Withdrawals* for more information.

Repaying a loan. Loan repayments are made through payroll deductions. They are deducted from your pay each pay period in the amount on your Loan Agreement.

You can make additional payments or pay off your loan early by check or money order. You can also reamortize your loan to change the amount of your payment, number of payments, or repayment period.

You must repay your general purpose loan within 5 years. Residential loans must be repaid within 15 years.

Consequences of failing to repay your loan. If you do not repay your loan after you separate from service, or if you fail to repay your loan in accordance with your Loan Agreement, the TSP will report a taxable distribution to the IRS and you may owe income taxes on the balance of the loan as well as an early withdrawal penalty.

Spouses' rights. If you are a married FERS or uniformed services participant, your spouse must consent to your loan by signing the Loan Agreement. If you are a married CSRS participant, your spouse will be notified of your loan. These rules apply even if you are separated from your spouse.

There are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on the form Exception to Spousal Requirements.

Getting information. For a detailed explanation of the TSP loan program, your obligations if you take a loan, and the consequences of not repaying a loan, read the TSP booklet *Loans*. (See Appendix.)

For information about a specific loan, you can check your pay and leave statement, the TSP Web site, or the ThriftLine, or contact the TSP Service Office.

In-Service Withdrawals

In-service withdrawals (i.e., withdrawals from your account while you are still employed) are available to all active participants. The TSP does not charge a fee for making an in-service withdrawal. However, the overall impact on your retirement savings may be significant.

Consequences of Making an In-Service Withdrawal. When you make an in-service withdrawal, you are removing money from your account forever. It **cannot** be put back or repaid to your account. This means that you permanently deplete your retirement savings by the amount of the withdrawal and any future earnings you would have accrued on that money. You must pay Federal income tax on the withdrawal and you may also be subject to a 10% early withdrawal penalty tax. If you make a financial hardship in-service withdrawal, the overall impact can be even greater because you cannot contribute to the TSP for 6 months following your withdrawal. If you are a FERS employee, that means you will also not receive any Matching Contributions during that time.

Types of In-Service Withdrawals. There are two types of in-service withdrawals:

- An age-based in-service withdrawal
- A financial hardship in-service withdrawal

Age-based in-service withdrawal. You can take an age-based in-service withdrawal when you reach age 59½. At that time, you may withdraw part or all of your vested account balance. You can request a dollar amount of $1,000 or more, or your entire account balance (even if it is less than $1,000). You are allowed to make only one age-based in-service withdrawal. If you do so, you will not be eligible for a partial withdrawal of your account after you separate from service.

Financial hardship in-service withdrawal. You can make a financial hardship in-service withdrawal if you can certify, under penalty of perjury, that you have a financial hardship as a result of a recurring negative cash flow, legal expenses for separation or divorce, medical expenses, or a personal casualty loss. You may withdraw your contributions and any earnings those contributions have accrued. You can request $1,000 or more; however, the amount that you request cannot exceed the actual amount of your certified financial hardship.

There is no limit to the number of financial hardship withdrawals you can have. However, each time you make a financial hardship withdrawal, you cannot make another one for 6 months.

Spouses' rights for in-service withdrawals. If you are a married FERS or uniformed services participant, your spouse must consent to your in-service withdrawal. If you are a married CSRS participant, the TSP must notify your spouse before an in-service withdrawal can be made. These rules apply even if you are separated from your spouse.

There are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on the form Exception to Spousal Requirements.

Taxes on in-service withdrawals. In-service withdrawals are subject to Federal income tax when they are paid. Financial hardship in-service withdrawals may also be subject to an early withdrawal penalty tax if you are younger than age 59½ when you make your withdrawal. For detailed information about the tax rules that apply to in-service withdrawals, see the TSP tax notice "Important Tax Information About Payments From Your TSP Account."

Getting information. For a detailed explanation of the TSP in-service withdrawal program, read the TSP booklet *In-Service Withdrawals*.

For information about a specific in-service withdrawal request, check the TSP Web site or the ThriftLine, or contact the TSP Service Office.

Withdrawals After You Separate

If your vested account balance is **$200 or more** after you leave Federal service, you can leave your money in the TSP until later (see page 17, "Withdrawal deadline"), or you can withdraw your TSP account.

If your vested account balance is **less than $200** when you leave Federal service, the TSP will automatically send you a check for the amount in your account. The check will be mailed to the address in your TSP account record. You cannot leave this money in the TSP or make any other withdrawal election.

***Types of* Post-Separation Withdrawals.** There are two types of post-separation withdrawals:

- A partial withdrawal
- A full withdrawal

Partial withdrawal. You can take out $1,000 or more, and leave the rest in your account until you decide to withdraw it. You may make only one partial withdrawal from your account. If you made an age-based in-service withdrawal, you are not eligible for a partial withdrawal.

Ready to make a post-separation withdrawal?

Before you make a withdrawal, read the booklet *Withdrawing Your TSP Account After Leaving Federal Service* and the tax notice "Important Tax Information About Payments From Your TSP Account."

Need help estimating an annuity or monthly payments?

If you're considering monthly payments or a TSP annuity, you should compare these benefits to see which one best fits your situation. You can get help by visiting the "Calculators" section of the TSP Web site.

There are calculators to estimate the income you will receive from an annuity, and to determine how long monthly payments might last or how much you might receive each month (if you choose to receive payments based on life expectancy).

Full withdrawal. You can make a full withdrawal of your account using one — or any combination — of three withdrawal options available to you:

- A single payment
- A series of monthly payments
- A TSP life annuity

A *single payment* allows you to withdraw your entire TSP account at one time in one payment. It is sometimes referred to as a "lump sum."

Monthly payments allow you to withdraw your entire account in a series of payments. You can ask for a specific dollar amount each month or you can have the TSP calculate a monthly payment based on your life expectancy. If you choose a specific dollar amount, it must be at least $25.

At any time while you are receiving monthly payments, you can ask the TSP to stop the monthly payments and pay you your remaining account balance in a single payment. Also, once a year, you will have the opportunity to make changes to the amount of the monthly payments you are receiving.

An *annuity* pays a benefit to you (or to your survivor) every month for life. The TSP purchases the annuity on your behalf from a private insurance company. You can have the TSP purchase an annuity with all or any portion of your account when you request a full withdrawal. The amount you use for purchase of an annuity must be $3,500 or more. Once an annuity is purchased, it cannot be changed.

You have a choice of three basic annuity types:

- A *single life annuity* — paid only to you during your lifetime.
- A *joint life annuity with your spouse* — paid to you while you and your spouse are alive. When one of you dies, payments are made to the survivor for the rest of his or her life.
- A *joint life annuity with someone other than your spouse*, who has an insurable interest in you — paid to you while you and the person you choose are alive. When one of you dies, payments are made to the survivor for his or her life.

If you elect a joint annuity, you can choose between a 50% or 100% payment option to the survivor.

Some additional annuity features may also be available, depending on the basic annuity type you choose. You may be able to request "cash refund," "10-year certain," or "increasing payment" features. The available annuities and their features are explained in detail in the booklet *Withdrawing Your* TSP *Account After Leaving Federal Service*.

A *mixed withdrawal* allows you to combine any or all of the three withdrawal options. However, if you request a mixed withdrawal with an annuity, the percentage of your account used to purchase the annuity cannot equal a dollar amount of less than $3,500.

Spouses' rights for post-separation withdrawals. If you are a married FERS or uniformed services participant, your spouse must consent to your **partial withdrawal**. If you are a married CSRS participant, the TSP must notify your spouse before a partial withdrawal can be made.

If your vested account balance at the time of your **full withdrawal** is more than $3,500, your withdrawal will be subject to the rules regarding spouses' rights. These rules apply even if you are separated from your spouse:

- If you are a married FERS or uniformed services participant, your spouse is entitled to an annuity with a 50% survivor benefit, level payments (i.e., no increasing payment feature), and no cash refund feature. If you do not use your entire account balance to purchase that particular annuity, your spouse will have to waive his or her right to that annuity.
- If you are a married CSRS participant, the TSP must notify your spouse before it can make your withdrawal, regardless of which withdrawal option you choose.

There are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on the form Exception to Spousal Requirements.

Taxes on withdrawals. Withdrawal payments are subject to Federal income tax when they are paid. They may also be subject to an early withdrawal penalty tax if you are younger than age 59½ when you make your withdrawal. For detailed information about the tax rules that apply to post-separation withdrawals, you should read the TSP tax notice "Important Tax Information About Payments From Your TSP Account."

Getting information. For a detailed explanation of the TSP's post-separation withdrawal program, you should read the booklet *Withdrawing Your* TSP *Account After Leaving Federal Service*.

For specific information about your withdrawal request, you can check the TSP Web site or the ThriftLine, or contact the TSP Service Office.

Withdrawal deadline. By law, you must withdraw your entire account or begin receiving monthly payments by the TSP withdrawal deadline, which is April 1 of the year after you have reached age 70½ **and** are separated from Federal service. If you do not make an election, your account may be declared abandoned.

At the same deadline, you will also be subject to the IRS required minimum distribution rules. These rules require you to receive a certain portion of your account each year based on your life expectancy. The TSP will send you information about these rules if they apply to you.

For more information about the withdrawal deadline and the IRS required minimum distribution rules, you can read the TSP tax notice "Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions."

Deferring taxes after you withdraw:

Some withdrawals can be transferred from the TSP directly to a traditional IRA or other eligible employer plan. When this is done, you defer paying taxes until you withdraw the money from the IRA or eligible plan.

Read the tax notice "Important Tax Information About Payments From Your TSP Account" for more information and to find out which withdrawals can be transferred.

Is your beneficiary designation up to date?

If you submit a Designation of Beneficiary, review it when your personal situation changes.

Otherwise, in case of your death, the money in your account may not be distributed according to your wishes.

Death Benefits

In case of your death, your account will be distributed to the beneficiary or beneficiaries you designate on the TSP's Designation of Beneficiary form. If you do not designate beneficiaries to receive your account, it will be disbursed according to the following order of precedence required by law:

- To your widow or widower; if none,
- To your child or children equally, and to descendants of deceased children by representation; if none,
- To your parents equally or the surviving parent; if none,
- To the appointed executor or administrator of your estate; if none,
- To your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death.

For this order of precedence, a child includes a natural child and an adopted child, but does not include a stepchild who has not been adopted. A parent does not include a stepparent, unless your stepparent has adopted you. "By representation" means that if your child predeceases you, his or her share will be divided equally among his or her children.

A will or any other document (such as a prenuptial agreement) is not valid for the disposition of your TSP account.

Designating a beneficiary. If you wish, you can designate a person or persons, your estate, or a trust to receive your TSP account after your death. To designate a beneficiary or beneficiaries, use the Designation of Beneficiary form (TSP-3, or TSP-U-3 for members of the uniformed services). The completed form must be received by the TSP Service Office on or before the date of your death.

Exception: If you separate from service and submit a Request for Full Withdrawal requesting an annuity, and you die **before** annuity payments begin, the amount used to purchase the annuity will be returned to the TSP. The TSP will, if possible, distribute this money consistent with your annuity beneficiary designation.

TSP distribution of death benefits. In order for beneficiaries to receive your account balance after your death, they (or their representatives) must complete the form Information Relating to Deceased Participant (TSP-17, or TSP-U-17 if you are a member of the uniformed services) and send it to the TSP Service Office along with a copy of the certified death certificate.

Once the TSP processes this information and determines the beneficiaries for your account, we will contact them with additional information and instructions.

For detailed information about death benefits, read the TSP booklet *Death Benefits* and the TSP tax notice "Important Tax Information About Thrift Savings Plan Death Benefit Payments."

Other Information About the TSP

Personal Identification Number (PIN)

Your 4-digit TSP PIN, used with your SSN, accesses your TSP account on the TSP Web site and the ThriftLine. You receive your PIN after your first contribution is received by the TSP. You can customize, change, or replace your PIN on the TSP Web site or ThriftLine. Your 4-digit TSP PIN is not the same as PINs for other agency or service systems (e.g., myPay, Employee Self-Service, PostalEASE).

TSP Web Site (www.tsp.gov)

The TSP Web site has current TSP information and materials (e.g., forms, rates of return, share prices, Plan News, and calculators). TSP participants can use their SSN and TSP PIN to view personal account information and perform transactions.

ThriftLine

The toll-free ThriftLine (1-TSP-YOU-FRST (1-877-968-3778)) is the TSP's automated telephone service. It has information such as Plan News, share prices, and loan and annuity rates. You can also opt to speak with a service representative. Use your SSN and TSP PIN to access your account and perform certain transactions.

Participant Statements

The TSP issues statements quarterly (in January, April, July, and October). They cover all transactions in your account during the previous 3 months. If you have any TSP loans, the statement also summarizes your loan activity. You can view or print your statements, or request to have them mailed to you, on the TSP Web site.

Bankruptcy

Your TSP account cannot be garnished to pay debts. But, if you have a TSP loan, your payments may have to stop if you file for Chapter 13 bankruptcy. For more information, see the Fact Sheet "Bankruptcy Information."

Court Orders

Your TSP account is subject to court orders issued in connection with divorce, annulment, or legal separation, and by laws that enforce alimony and child support payments and judgments against you for child abuse. For more information and sample court order language, read the TSP booklet *Court Orders* and the TSP tax notice "Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders."

TSP Administration

Management. The Federal Retirement Thrift Investment Board (Agency), is an independent Government agency that administers the TSP. It is managed by a Presidentially appointed five-member Board and an Executive Director chosen by the Board.

The Agency's record keeper handles the day-to-day maintenance and administration of all TSP accounts and assists participants with specific types of TSP-related problems or questions.

Law. The TSP is established under the Federal Employees' Retirement System Act of 1986 and is codified primarily under Chapter 84 of title 5, United States Code (U.S.C.). The TSP is treated as a qualified trust which is exempt from taxation (see 26 U.S.C. § 7701(j)). Its regulations are published in Chapter VI of title 5 of the Code of Federal Regulations.

Audits. By law, the TSP must be audited annually. You can obtain a copy of the most current audited financial statement from the TSP Web site or by writing to the TSP.

Need a TSP PIN?

The TSP mails you a PIN shortly after your very first contribution is received.

If you need to change or replace your PIN, use the Account Access section of the Web site or call the ThriftLine.

To ensure account security, keep your TSP PIN in a safe location that only you know.

Is your TSP record correct?

Keep your address and other personal information up to date. To correct your address, contact your agency or service if you are employed.

If you are separated, update your address through the Account Access section of the TSP Web site, use a TSP change of address form, or call the TSP Service Office. For other changes or corrections after you separate, contact the TSP Service Office.

Appendix: Getting More Information

TSP forms and materials are available from the Forms & Publications section of the **TSP Web site at www.tsp.gov**, from your agency or service, or from the toll-free **ThriftLine at 1-877-968-3778** or the **TDD at 1-877-847-4385.** (Callers outside the U.S. and Canada who cannot use the toll-free numbers should call 404-233-4400.)

Note: Members of the uniformed services should use the "U"-designated version of forms (e.g., Form TSP-U-1 instead of Form TSP-1). There are no "U" versions of Form TSP-60 or Form TSP-65.)

Topic	Where to get information	How to do it	Whom to contact if you are:	
			An active participant	A separated participant
Account balance	TSP Web site, ThriftLine, or participant statement	Use Web or ThriftLine Account Access	Your agency or service	TSP Service Office
Address (change of)	Summary p. 19	**Active participants:** Contact your agency or service **Separated participants:** Web Account Access, Form TSP-9, or the TSP Service Office	Your agency or service	TSP Service Office
Annuity	Summary p. 16; Web Calculator: Annuities; Booklet, *Withdrawing Your TSP Account After Leaving Federal Service*	Use appropriate sections of Form TSP-70		TSP Service Office before purchase; annuity vendor afterwards
Bankruptcy	Fact Sheet: Bankruptcy Information		Your agency or service	TSP Service Office
Basic annuity for FERS and CSRS employees	Office of Personnel Management		Your Personnel or Benefits Office	Office of Personnel Management
Basic annuity for the uniformed services	Your service		Your service	Your service
Combining a uniformed services and a civilian TSP account	See info. and instructions on Form TSP-65	Use Form TSP-65	TSP Service Office	TSP Service Office
Contribution allocations	Summary p. 11; info. and instructions on Form TSP-50	Use Web or ThriftLine Account Access or Form TSP-50	Your agency or service or the TSP Service Office	TSP Service Office
Contribution limits (TSP and IRS)	Summary p. 6; Web Calculator: Elective Deferral; Fact Sheet: Annual Limit on Elective Deferrals		Your agency or service	
Contributions	Summary p. 2; info. and instructions on Form TSP-1	Use Form TSP-1 or your agency or service's electronic version	Your agency or service	
Contributions (catch-up)	Summary p. 2; Fact Sheet: Catch-Up Contributions	Use Form TSP-1-C or your agency or service's electronic version	Your agency or service	
Court orders	TSP Booklet: *Court Orders*; Tax Notice: Tax Treatment of TSP Payments Made Under Qualifying Orders	Send qualifying court order to the TSP Service Office to begin process	TSP Service Office	TSP Service Office
Death benefits	TSP Booklet: *Death Benefits*; Tax Notice: Important Tax Info. About Thrift Savings Plan Death Benefit Payments	Beneficiaries should use Form TSP-17, Information Relating to Deceased Participant	Your agency or service or the TSP Service Office	TSP Service Office

Topic	Where to get information	How to do it	Whom to contact if you are:	
			An active participant	A separated participant
Designation of beneficiary	TSP Booklet: *Death Benefits*; info. and instructions on Form TSP-3	Use Form TSP-3, Designation of Beneficiary	TSP Service Office	TSP Service Office
Fund information for TSP funds	Summary p. 8; Fund Information Sheets (Web)		TSP Service Office	TSP Service Office
In-service withdrawals	Summary p. 14; TSP Booklet: *In-Service Withdrawals*; Tax Notice: Important Tax Info. About Payments From Your TSP Account	Use Web Account Access or Form TSP-75 for age-based withdrawal, Form TSP-76 for financial hardship withdrawal		
Interfund transfers	Summary p. 11; info. and instructions on Form TSP-50	Use Web or ThriftLine Account Access or Form TSP-50	TSP Service Office	TSP Service Office
Loan payments	TSP Booklet: *Loans*; Fact Sheet: Effect of Nonpay Status on TSP Participation; Web Calculator: Loans		Your agency or service	
Loans (general)	TSP Booklet: *Loans*	Use Web Account Access or Form TSP-20	TSP Service Office	
Name changes	TSP Web site	**Separated participants only**: Use Form TSP-15	Your agency or service	TSP Service Office
Participant statements (issued quarterly)	Summary p. 19; Leaflet: Understanding Your TSP Participant Statement	Access on TSP Web site, or use Web or ThriftLine Account Access to request to have participant statements mailed	Agency or service for personal, contribution, and loan payment info.; TSP Service Office for other info.	TSP Service Office
Personal Identification Number (PIN)	Summary p. 19	Web or ThriftLine Account Access or Participant Rep.	TSP Service Office	TSP Service Office
Required minimum distribution	Tax Notice: Important Tax Info. About Your TSP Withdrawal and Required Minimum Distributions			TSP Service Office
Shares/share prices	Fact Sheet: Your Shares in the TSP Funds	Obtain current prices from Web or ThriftLine; Web for historical share prices		
ThriftLine	Web/ThriftLine Information Card	**1 (877) 968-3778**		
Transfers into the TSP	Summary p. 7; info. and instructions on Form TSP-60	Use Form TSP-60	TSP Service Office	TSP Service Office
Web site	Web/ThriftLine Information Card	**www.tsp.gov**		TSP Service Office
Withdrawals after you leave service	Booklet: *Withdrawing Your TSP Account After Leaving Federal Service;* Tax Notice: Important Tax Info. About Payments From Your TSP Account	Use Web Account Access, or, for a full withdrawal, use Form TSP-70; for a partial withdrawal, use Form TSP-77		TSP Service Office
Withholding on in-service and post-separation withdrawals	Tax Notice: Important Tax Info. About Payments From Your TSP Account	IRS Form W-4P	TSP Service Office	TSP Service Office

Glossary of Terms

Account Balance — The sum of the dollar balances in each TSP investment fund for an individual account. The dollar balance in each investment fund on a given day is the product of the total number of shares in that fund multiplied by the share price for that fund on that day.

Agency Automatic (1%) Contributions — Contributions equal to 1% of basic pay each pay period, contributed to a FERS participant's TSP account by his or her agency. New FERS employees must serve a waiting period before they become eligible for these contributions.

Annuity — A payment paid to the participant (or to the participant's survivor if the participant elects a joint annuity) each month. Payments continue as long as the participant (or his or her survivor) is alive.

Basic Pay (Civilian) — This pay is defined in 5 United States Code (U.S.C.) 8331.

Basic Pay (Uniformed Services) — This refers to compensation payable under sections 204 and 206 of U.S.C. title 37. Section 204 pay is pay for active duty; section 206 pay (e.g., inactive duty for training (IDT) pay) is pay earned by members of the Ready Reserve (including the National Guard).

Before-Tax Contributions — Contributions of money that has not yet been taxed. Sometimes referred to as "tax-deferred" contributions.

Bond — A debt security issued by a government entity or a corporation to an investor from whom it borrows money. The bond obligates the issuer to repay the amount borrowed (and, traditionally, interest) on a stated maturity date.

Bonus Pay (Uniformed Services) — Generally, a type of special pay, with separate rules for TSP contribution election purposes.

Catch-Up Contributions — Contributions made by payroll deductions by a participant age 50 or older, which are permitted to exceed the TSP contribution limit and the Internal Revenue Service (IRS) elective deferral limit.

Contribution — A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by his or her agency or service.

Contribution Allocation — A participant's choice that tells the TSP how contributions, rollovers, and loan payments that are going into his or her account should be invested among the TSP funds.

Contribution Election — A request by a participant to start contributing to the TSP, to change the amount of contributions made to the TSP each pay period, or to terminate contributions to the TSP.

Credit Risk — The risk that a borrower will not make a scheduled payment of principal and/or interest.

Civil Service Retirement System (CSRS) — The retirement system for Federal civilian employees who were hired before January 1, 1984. CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans.

Currency Risk — The risk that the value of a currency will rise or fall relative to the value of other currencies. Currency risk could affect investments in the I Fund because of fluctuations in the value of the U.S. dollar in relation to the currencies of the 21 countries in the EAFE index.

Designation of Beneficiary — The participant's formal indication of who should receive the money in his or her account in case of his or her death. Participants must use the TSP Designation of Beneficiary form.

Elective Deferral Limit — An annual dollar limit placed on tax-deferred TSP employee contributions by the IRS. "Catch-up" contributions made by participants age 50 and older are not subject to this limit, but have a separate IRS limit.

Federal Employees Retirement System (FERS) — The retirement system for Federal civilian employees who were hired on or after January 1, 1984. FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

Fixed Income Investments — Generally refers to bonds and similar investments (considered debt instruments) that pay a fixed amount of interest.

Full Withdrawal — A post-separation withdrawal of a participant's entire TSP account through an annuity, a single payment, or monthly payments (or a combination of these three options).

Incentive Pay (Uniformed Services) — Pay set forth in chapter 5 of U.S.C. title 37 (e.g., flight pay, hazardous duty pay).

Index — A broad collection of stocks or bonds which is designed to match the performance of a particular market or sector. For example, the Standard and Poor's 500 (S&P 500) is an index of large and medium-sized U.S. companies.

Index Fund — An investment fund that attempts to track the investment performance of an index.

Inflation Risk — The risk that investments will not grow enough to offset the effects of inflation.

In-Service Withdrawal — A disbursement from a participant's account which is available only to participants who are still employed by the Federal Government (or the uniformed services).

Interfund Transfer — The choice made by the participant to reallocate his or her existing account balance among the investment funds.

Market Risk — The risk of a decline in the market value of stocks or bonds.

Matching Contributions — Contributions made by agencies to TSP accounts of FERS employees who contribute their own money to the TSP. (CSRS employees do not receive matching contributions. At present, members of the uniformed services also do not receive matching contributions.)

Mixed Withdrawal — A post-employment withdrawal of a participant's entire account through any combination of an annuity, a single payment, or monthly payments.

Monthly Payments — Payments that the participant elects to receive each month from his or her TSP account after separating from service.

Partial Withdrawal — A one-time post-employment distribution of part of a participant's account balance. A partial withdrawal is participant-elected and is made in a single payment.

Participant Statement — A statement that is furnished to the participant after the end of each calendar quarter. It shows his or her account balance (in both dollars and shares) and the transactions in his or her account during the quarter.

Personal Identification Number (PIN) — A four-digit number that the participant can use (in conjunction with his or her Social Security number) to access his or her own account on the TSP Web site or the ThriftLine. The initial PIN is computer-generated and is sent to the participant shortly after the participant's first contribution is received by the TSP.

Post-Separation Withdrawal — A distribution from a participant's account which is available only to participants who have left Federal service or the uniformed services. Sometimes referred to as a "post-employment" withdrawal. (See also "Withdrawal.")

Reamortization — The process of adjusting the terms of a loan to change the loan payment amount or to shorten or lengthen the repayment term.

Required Minimum Distribution — The amount of money, based on a participant's age and previous year's TSP account balance, that the IRS requires to be distributed to the participant each year once the participant has reached age 70½ and is separated from service.

Risk (Volatility) — The amount of change (both up and down) in an investment's value over time.

Section 415 Limit — An IRS limit on the amount of money that can be contributed on behalf of a participant to an eligible retirement plan or plans.

Securities — A general term describing a variety of financial instruments, including stocks and bonds.

Single Payment — A payment made at one time. Sometimes referred to as a "lump sum."

Special Pay (Uniformed Services) — Pay set forth in chapter 5 of U.S.C. title 37 (e.g., medical and dental officer pay, hardship duty pay, career sea pay).

Stocks — Equity securities issued as ownership in a publicly held corporation.

Tax-Exempt Contributions — Contributions of money that will never be taxed. Such contributions can be made to the TSP by members of the uniformed services from pay that is covered by the combat zone tax exclusion.

ThriftLine — The TSP's automated voice response system. It provides general news about the TSP and allows participants to access certain information and perform some transactions over the telephone. You also use the ThriftLine to contact participant service representatives at the TSP Service Office.

Time Horizon — The investment time you have until you need to use your money.

Uniformed Services — Uniformed members of the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration serving on active duty, and members of the Ready Reserve or National Guard of those services in any pay status.

Vesting — For a FERS participant, the time in service that he or she must have upon separation from service in order to be entitled to keep Agency Automatic (1%) Contributions and associated earnings. A participant is vested in (entitled to keep) the Agency Automatic (1%) Contribution in his or her account after completing 3 years of Federal service (2 years for most FERS employees in Congressional and certain noncareer positions).

Volatility — See "Risk."

Withdrawal — A general term for a distribution that a participant requests from his or her account. (Includes in-service withdrawal, partial withdrawal, full withdrawal, etc.)

Making the Right Move!

TSP Withdrawals

June 2005

It's Your Move—Now or Later?

Now that you've left Federal service, you need to make some decisions about your TSP account. Here are the options you can choose from:

- **Leave your money in the TSP.** (You will have to make a final withdrawal decision for your entire account no later than April 1 of the year after you turn age 70½.)
- **Take out part of your account (i.e., make a partial withdrawal).** You can withdraw $1,000 or more, which will be paid out in a single payment. (This is available only if you did not make an age-based in-service withdrawal.)
- **Take out your entire account (i.e., make a full withdrawal).** You have three withdrawal methods to choose from:
  - a single payment—your entire account, paid at one time.
  - monthly payments—in an amount you choose or based on your life expectancy.
  - a life annuity—paid to you throughout your lifetime or to you or your spouse (or another joint annuitant) while either of you is alive. Available only for an amount of $3,500 or more.

  A fourth possibility: a "mixed withdrawal"—**any combination of the above three methods**.

Plus, if you have both a uniformed services and a civilian TSP account, you may be able to combine both accounts into one.

Before you request a withdrawal, read the booklet *Withdrawing Your TSP Account After Leaving Federal Service* and the tax notice "Important Tax Information About Payments From Your TSP Account." The information in this material will help you make an informed decision.

If you're interested in a TSP annuity, you should also read the booklet *TSP Annuities* and use the Annuity Calculator on the TSP Web site. When you're ready to make a withdrawal, you can obtain the booklets, the tax notice, and the forms you need from the Forms & Publications section of the Web site, or you can order them using the attached request.

The TSP Service Office is also ready to assist you with any questions you might have. You can contact a participant service representative through the ThriftLine or by writing the Service Office:

TSP Service Office
P.O. Box 61500
New Orleans, LA 70161-1500

Note: Please include your entire Social Security number on any written correspondence to the TSP.

TSP Web Site: www.tsp.gov **ThriftLine:** 1-TSP-YOU-FRST (1-877-968-3778) Outside U.S. and Canada: 404-233-4400 **TDD:** 1-TSP-THRIFT5 (1-877-847-4385)

All forms and products named in this request can be downloaded and printed directly from the Forms & Publications section of the TSP Web site (www.tsp.gov).

THRIFT SAVINGS PLAN TSP-72
REQUEST FOR TSP MATERIALS FOR SEPARATED PARTICIPANT

When you are ready to make your withdrawal request, you can find the most current TSP withdrawal forms and materials on the TSP Web site (www.tsp.gov). If you prefer to order materials with this form, be certain to tape the open sides and affix a stamp before mailing it to the TSP. **Note:** If you are providing a new address on this form, it will be used to update your TSP account. Type or print this information using black or dark blue ink.

Please check the account type to which this request applies (check only one): ☐ Civilian **OR** ☐ Uniformed Services

1. Your Last Name | First Name | Middle Name

2. Social Security Number – – **3.** Date of Birth *(mm/dd/yyyy)* / / 19 **4.** Daytime Phone *(Area Code and Number)* – –

5. Street Address or Box Number *(For foreign address, see instructions on back.)*

Address Line 2

6. City **7.** State/Country Check if Non-U.S. ☐ **8.** Zip Code –

☐ My address has changed.

TSP MATERIALS YOU WISH TO RECEIVE

To withdraw your account:

- ❒ Request for Full Withdrawal (Form)
- ❒ Request for Partial Withdrawal When Separated (Form)
- ❒ Exception to Spousal Requirements (Form)
- ❒ *Withdrawing Your TSP Account After Leaving Federal Service* (Booklet)
- ❒ *TSP Annuities* (Booklet)
- ❒ Important Tax Information About Payments From Your TSP Account (Notice)
- ❒ Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions (Notice)
- ❒ IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments (to be used for payments made directly to you)

For other actions or information:

- ❒ Designation of Beneficiary (Form)
- ❒ Change of Address for Separated Participant (Form)
- ❒ Change in Name for Separated Participant (Form)
- ❒ Information Relating to Deceased Participant (Form)
- ❒ Investment Allocation (Form)
- ❒ Request for a Transfer Into the TSP (Form)
- ❒ Request to Combine Uniformed Services and Civilian TSP Accounts (Form)
- ❒ *Summary of the Thrift Savings Plan* (Booklet)
- ❒ *TSP Court Orders* (Booklet)
- ❒ Important Tax Information About Thrift Savings Plan Death Benefit Payments (Notice)

Remember:

- Keep your address up to date through January of the year after your account has been completely paid out. This will ensure that important information can reach you.

- Important information that you will need to make a withdrawal decision is contained in the booklet *Withdrawing Your TSP Account After Leaving Federal Service* and the tax notice "Important Tax Information About Payments From Your TSP Account."

- You can make a withdrawal request on the Web site in the Account Access section, or on Form TSP-77 for a partial withdrawal or Form TSP-70 for a full withdrawal of your account. (Members of the uniformed services should use Form TSP-U-77 or Form TSP-U-70.)

- When you use the Web site to access your personal account or to make a change or request, you will need your 4-digit TSP PIN and your Social Security number.

TSPLF15 (6/2005)

Thrift Savings Plan
HIGHLIGHTS
July 2005

Announcements

No More Open Seasons — You can change the amount of your contributions at any time. (See page 4.)

ThriftLine — Make sure you have our correct telephone number.

1-TSP-YOU-FRST
1-877-968-3778
(toll-free)

If you are calling from outside the U.S. and Canada, call:

404-233-4400
(not toll-free)

TSP Information — The most current information about the TSP is available on our Web site:

www.tsp.gov

L Funds Offer a New Approach

Dear TSP Participant,

I am delighted to announce a new investment opportunity that can help you feel more secure about your retirement — the **TSP L Funds**.

We have established five "lifecycle funds" based on different time horizons. All you have to do is choose the year (after you leave Federal service) that you will need the money in your TSP account. Then move your money into the appropriate L Fund. Once you have selected your L Fund, you don't need to worry about managing your investments. They are now on "cruise control" and everything is done for you.

If you prefer to make your own investment decisions and manage your account, you can continue to invest directly in the G, F, C, S, and I Funds. But if you would like to have the benefit of professionally designed funds, which are automatically adjusted as you get closer to your time horizon, then the L Funds may be right for you.

I hope that you will take the opportunity to read about the L Funds in this newsletter and view the DVD that is being sent to you this month. The TSP Web site offers additional information.

Best wishes,

Gary A. Amelio, Executive Director
Federal Retirement Thrift Investment Board

Choosing Your Investment Approach

The TSP offers you two approaches to investing your TSP account:

- **Choose one of the new L Funds.** The L Funds are "lifecycle funds" that are invested according to a professionally determined mix of stocks, bonds, and securities. Select one of the five L Funds based on your time horizon (that is, when you expect to need the money in your account).
- **Choose your own investment mix** from the individual TSP funds (the G, F, C, S, and I Funds) and manage your own account.

The TSP investment options are designed for you to choose ***either*** the L Fund that is appropriate for your time horizon, ***or*** a combination of the individual TSP funds that will support your personal investment strategy. However, you are permitted to invest in any fund or combination of funds. Just keep in mind that the L Funds are made up of the five individual funds (G, F, C, S, and I). If you invest in an L Fund as well as in the individual funds, you will duplicate some of your investments, and you may find that your allocation is not what you wanted.

If you decide to invest your entire account in one of the L Funds, you are done making your investment decisions. The TSP will do the rest for you.

If you choose your own investment mix from the G, F, C, S, and I Funds, remember that your investment allocation is one of the most important factors affecting the growth of your TSP account. If you prefer this "hands-on" approach, keep the following points in mind:

- **Consider both risk and return.** The F Fund (bonds) and the C, S, and I Funds (stocks) have higher potential returns than the G Fund (Government securities). But stocks and bonds also carry the risk of investment losses that the G Fund does not. On the other hand, investing entirely in the G Fund may not give you the returns you need to meet your retirement savings goal.
- **You need to be comfortable with the amount of risk you expect to take.** Your investment comfort zone should allow you to use a "buy and hold" strategy so that you are not chasing market returns during upswings, or abandoning your investment strategy during downswings.
- **You can reduce your overall risk by diversifying your account.** The five individual TSP funds offer a broad range of investment options, including Government securities, bonds, and domestic and foreign stocks. Generally, it's best not to put all of your eggs in one basket.
- **The amount of risk you can sustain depends upon your investment time horizon.** The more time you have before you need to withdraw your account, the more risk you can take. (This is because early losses can be offset by later gains.)
- **Periodically review your investment choices.** Check the distribution of your account balance among the funds to make sure that the mix you chose is still appropriate for your situation. If not, rebalance your account to get the allocation you want.

Take this opportunity to review your account and make sure that your money is allocated according to your investment strategy. If you aren't sure, or if you would like to take some of the stress out of making these investment decisions, consider investing in one of the L Funds. They are described in detail on the next page.

The L Funds

Initial Allocations

L 2040

G	5%
F	10%
C	42%
S	18%
I	25%
	100%

L 2030

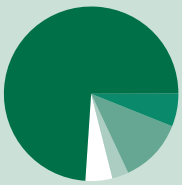
G	16%
F	9%
C	38%
S	16%
I	21%
	100%

L 2020

G	27%
F	8%
C	34%
S	12%
I	19%
	100%

L 2010

G	43%
F	7%
C	27%
S	8%
I	15%
	100%



L Income

G	74%
F	6%
C	12%
S	3%
I	5%
	100%

G Fund	Government Securities
F Fund	Bonds
C Fund	Large/Medium Stocks
S Fund	Small/Medium Stocks
I Fund	International Stocks

3

More About the L Funds

How do I choose the right L Fund for me? All you have to do is determine your "time horizon" by answering this question: "After I leave Federal service, when will I need the money in my TSP account?" (Depending on your age and your other assets, your time horizon may be later than your retirement date.)

Now choose the TSP L Fund that matches your time horizon.

- **L 2040 –** 2035 and later
- **L 2030 –** 2025 through 2034
- **L 2020 –** 2015 through 2024
- **L 2010 –** 2008 through 2014
- **L Income –** Currently (or before 2008) withdrawing from your account

Once you choose your time horizon, the rest is done for you.

How do the L Funds work? Investment experts have combined the individual TSP funds (G, F, C, S, and I Funds) in percentages that are appropriate for each L Fund's time horizon. The pie charts on the left show the initial proportions of the G, F, C, S, and I Funds contained in each of the L Funds.

L Funds with farther time horizons (for example, L 2040) are focused on growth, and therefore are invested more aggressively, with higher percentages in foreign and domestic stocks (the C, S, and I Funds) and lower percentages in Government securities (the G Fund). As each L Fund matures, its mix gradually shifts to more conservative investments with a higher percentage of Government securities and lower percentages of domestic and foreign stocks. This more conservative mix is designed to preserve assets while still providing protection against inflation.

When an L Fund reaches its time horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon. For example, when L 2010 rolls into the L Income Fund, a new L 2050 Fund will be created.

Because it is important for each L Fund to maintain its target investment mix, the TSP will rebalance each L Fund automatically — generally each business day — to adjust the mix as a result of price changes in the underlying funds. Then, each quarter, the TSP will shift the investments in each L Fund to a slightly more conservative mix. In addition, experts will periodically review the investment mixes of each L Fund to be sure they are still appropriate.

Will I own shares as I do in the other TSP funds? When you invest in one of the L Funds, you are purchasing shares, just as you do in the five individual TSP funds. The daily change in each L Fund's share price will reflect the daily change in the share prices of the underlying G, F, C, S, and I Funds.

Can I lose money in an L Fund? The L Funds' asset allocations are based upon expected investment performance. The asset allocations of the L Funds are designed to produce (over time) the best possible return for the level of risk taken. However, because L Funds include the same stocks and bonds contained in the individual TSP funds, they will have periods of gain and loss, and returns are not guaranteed.

Will I have to pay higher fees? There are no additional fees associated with the L Funds. Each L Fund's expenses are that fund's proportional share of the expenses of the underlying individual TSP funds.

How can I learn more? Later this month, you should receive a DVD in the mail explaining the details of the new L Funds. In the meantime, the L Fund Information Sheet and the Qs and As on the TSP Web site provide additional information.

(*Continued on page* 5)

(Continued from page 4)

How do I put my money into the fund(s) I want? Once you decide on your investment approach — L Funds or the individual TSP funds — you can take either or both of the following actions to put your money in the fund(s) of your choice:

- Make a ***contribution allocation*** to direct how new money coming into your account (payroll contributions, transfers into the TSP, loan payments) will be invested. A contribution allocation has no effect on your existing account balance.
- Make an ***interfund transfer*** to move your existing account balance into the funds you choose. An interfund transfer is a one-time transaction that affects your existing balance. It has no effect on new money coming into your account.

  Use your Social Security number and your TSP PIN to make these transactions on the TSP Web site or the ThriftLine. You can also submit an Investment Allocation form to the TSP. The form is available from your agency or service.

Open Seasons Eliminated

TSP open seasons were eliminated as of July 1. This change will benefit you in a number of ways:

- You can now make an election to adjust the amount of your contributions at any time. This is especially helpful to those employees who wish to maximize their annual contributions, or to FERS employees who wish to distribute their contributions over the course of the year in order to maximize agency matching contributions.
- If you are a new hire, you can begin contributing to the TSP at any time. (However, there is still a waiting period before FERS employees may receive agency contributions).
- If you must terminate your contributions for any reason, you are not required to wait for the second open season to restart them; you can restart at any time.

Rates of Return

	G Fund	F Fund	LBA Bond Index	C Fund	S&P 500 Index	S Fund	DJW 4500 Index	I Fund	EAFE Index
Monthly – 2005									
January	0.4%	0.6%	0.6%	–2.4%	–2.4%	–3.4%	–3.4%	–1.9%	–1.8%
February	0.4	–0.6	–0.6	2.1	2.1	2.0	1.9	4.3	4.3
March	0.4	–0.5	–0.5	–1.7	–1.8	–1.9	–1.9	–2.5	–2.5
April	0.4	1.4	1.4	–1.9	–1.9	–3.7	–3.7	–2.3	–2.4
May	0.4	1.0	1.1	3.1	3.2	6.0	6.0	–0.4	0.0
Annual 1995 – 2004									
1995	7.0%	18.3%	18.5%	37.4%	37.6%	–	33.5%	–	11.3%
1996	6.8	3.7	3.6	22.8	23.0	–	17.2	–	6.1
1997	6.8	9.6	9.7	33.2	33.4	–	25.7	–	1.5
1998	5.7	8.7	8.7	28.4	28.6	–	8.6	–	20.1
1999	6.0	–0.8	–0.8	21.0	21.0	–	35.5	–	26.7
2000	6.4	11.7	11.6	–9.1	–9.1	–	–15.8	–	–14.2
2001	5.4	8.6	8.4	–11.9	–11.9	–2.2*	–9.3	–15.4*	–21.4
2002	5.0	10.3	10.3	–22.0	–22.1	–18.1	–17.8	–16.0	–15.9
2003	4.1	4.1	4.1	28.5	28.7	42.9	43.8	37.9	38.6
2004	4.3	4.3	4.3	10.8	10.9	18.0	18.1	20.0	20.2
Compound Annual 1995 – 2004									
	5.7%	7.7%	7.7%	12.0%	12.1%	–	11.9%	–	5.6%

The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, and I Funds, after deduction of trading costs and accrued investment management fees. The returns for the four indexes shown do not include any deduction for administrative expenses, trading costs, or investment management fees.

* The S and I Funds were implemented in May 2001; therefore, there are no returns for these funds for earlier periods. Returns shown for 2001 are for May through December.

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Thrift Savings Plan

FACT SHEET

Catch-Up Contributions

What are catch-up contributions?

"Catch-up contributions" are supplemental tax-deferred employee contributions that employees age 50 or older can make to the TSP beyond the maximum amount they can contribute through regular contributions.

Who is eligible to make catch-up contributions?

To be eligible to make catch-up contributions, you must be:

- age 50 or older during the calendar year in which the catch-up contributions are made (even if you become age 50 on December 31 of that year);
- currently employed and in pay status; and
- contributing either the maximum TSP contribution percentage allowed by your retirement coverage type **or** contributing an amount that will cause you to reach the Internal Revenue Service (IRS) elective deferral limit by the end of the calendar year. (The latter case includes situations where you might be contributing — or might have contributed — to a civilian or uniformed services TSP account (or both) or another eligible employer plan (e.g., another 401(k) plan). In such a case, if your combined contributions would cause you to reach the elective deferral limit, you would be eligible to make catch-up contributions.)

You are not eligible to make catch-up contributions within 6 months of making a nancial hardship withdrawal.

How much can I contribute?

If you are otherwise eligible, you can contribute up to the annual maximum dollar amount allowed by the IRS. (Catch-up contributions have an annual IRS limit, just as regular contributions have an annual IRS elective deferral limit.)

Because catch-up contributions are supplemental, they do not count against either the regular TSP contribution limits (15% for FERS employees and 10% for CSRS employees for 2005) or the IRS elective deferral limit ($14,000 for 2005). However, the combination of regular and catch-up TSP contributions cannot exceed the total IRS contribution limit for the year. For example, for 2005, your contributions cannot exceed $18,000 (i.e., the $14,000 elective deferral limit on regular TSP contributions, plus the $4,000 catch-up contribution limit). See the chart below for the limits on regular tax-deferred contributions and on catch-up contributions.

	TSP Limit		IRS Limits		
Year	FERS	CSRS and Uniformed Services	Regular Contributions*	Catch-Up Contributions	Total Contributions
2005	15%	10%	$14,000	$4,000	$18,000
2006 and thereafter	Limits eliminated		$15,000	$5,000**	$20,000

* For uniformed services participants, this includes tax-deferred contributions from incentive pay and special pay, including bonus pay.
** After 2006, this amount will be subject to increases to reflect inflation.

Catch-up contributions are applied to the year of the pay date for which they are made. This means that, for example, if your payroll of ce reported your catch-up contributions for the pay date December 31, 2004, and the TSP posted this contribution to your account on January 2, 2005, the 2004 limit would apply.

Will I receive any matching contributions on my catch-up contributions?

No. There are no matching contributions on catch-up contributions.

Federal Retirement Thrift Investment Board

OC 03-03 (10/2005)
PREVIOUS EDITIONS OBSOLETE

Can I make catch-up contributions from bonus pay?

No. Catch-up contributions can only be made from basic pay. Bonuses (or, if you are a member of the uniformed services, special pay or incentive pay) cannot be applied toward catch-up contributions.

What happens to my catch-up contributions when the TSP receives them?

When the TSP receives your catch-up contributions, it posts them to your account according to your most current contribution allocation. You cannot make a separate contribution allocation for catch-up contributions.

Once your catch-up contributions are posted to your TSP account, they become part of your account balance and are subject to the same rules as any other tax-deferred employee contributions:

- You are immediately vested in them;
- An interfund transfer has the same effect on them as on the rest of the money in your account;
- They are available for loans and in-service withdrawals; and
- Spousal rights apply.

How do I make catch-up contributions?

You can make catch-up contributions only through payroll deductions. This is because catch-up contributions are made before Federal, and in most cases state, taxes are deducted. To make catch-up contributions, you must submit a Catch-Up Contribution Election (Form TSP-1-C, or Form TSP-U-1-C for members of the uniformed services) to your agency or service. You must indicate the dollar amount you would like to contribute each pay period, and you must certify that you will contribute the maximum amount of regular contributions for the year. You can obtain Form TSP-1-C from your agency or Form TSP-U-1-C from your service. Both forms are available from the TSP Web site (www.tsp.gov). If your agency or service uses an electronic version of the form (e.g., on Employee Self-Service, PostalEase, or myPay), you may be required to submit your election electronically. (Check with your agency or service for guidance.)

When can I make a catch-up contribution election?

You can make your election at any time. Your election will become effective the first full pay period after your agency or service receives it. The election will only be valid through the end of the calendar year in which it is made. This means that you will have to submit a new Catch-Up Contribution Election form each year. Your contributions will continue until the end of the calendar year unless you reach the annual catch-up contribution limit before that time or elect to stop making catch-up contributions.

Can I change or stop my catch-up contributions at any time?

Yes. To change or stop making catch-up contributions, complete another Catch-Up Contribution Election form. You can restart your contributions at any time.

Once you stop catch-up contributions, they will not resume automatically. You will have to complete another election form to start them again.

How are these contributions reported to the IRS?

Catch-up contributions are reported on your W-2, Wage and Tax Statement, where they are combined with your regular TSP contributions.

What special rules or conditions apply to uniformed services participants?

Catch-up contributions made to a uniformed services account are subject to the same rules as catch-up contributions made to a civilian account. However, for a uniformed services account, certain special rules apply:

- You must use Form TSP-U-1-C (or its electronic equivalent) to initiate the contributions.
- Catch-up contributions can only be made from tax-deferred income. If you are in a combat zone, you cannot make catch-up contributions from tax-exempt pay.
- You cannot use incentive or special pay (including bonus pay) to make catch-up contributions.
- If you have both civilian and uniformed services accounts and are contributing the maximum amount of regular contributions to both accounts, you can also make catch-up contributions to both accounts, as long as the total catch-up contributions for the two accounts do not exceed the catch-up contribution limit for the year. If you exceed the maximum limit for catch-up contributions because you contributed too much to both accounts, the TSP will refund the excess amount, plus earnings, to you no later than April 15 of the following year.

FACT SHEET

Annual Limit on Elective Deferrals

Part I of this fact sheet describes the Internal Revenue Service (IRS) annual limit on elective deferrals (tax-deferred contributions from your pay) and explains how this limit may affect Thrift Savings Plan (TSP) contributions made to the accounts of certain FERS* employees. Part II explains how this limit may affect Federal employees covered by either FERS or CSRS,* as well as members of the uniformed services, who are contributing tax-deferred pay to the TSP and one or more other tax-deferred retirement plans.

Part I: Limits on Contributions to Your TSP Account

What are elective deferrals?

Elective deferrals are tax-deferred amounts that you choose to contribute to a plan rather than receive as pay. Because such contributions are tax-deferred, they are not included in your taxable gross income for the year in which they are contributed. Your employer makes the contributions on your behalf under a qualified cash or deferred arrangement (as defined in section 401(k) of the Internal Revenue Code (Tax Code)).

For TSP participants, employee contributions are considered to be elective deferrals. Elective deferrals do not include Agency Automatic (1%) or Agency Matching Contributions because those contributions are not considered part of your pay. For members of the uniformed services, they do not include contributions from tax-exempt pay earned in a combat zone.

What is the annual limit on elective deferrals?

Section 402 of the Tax Code limits the amount of income you may elect to defer under all cash or deferred arrangements during a tax year. (For most employees, a tax year is January 1 through December 31.) The elective deferral limit for 2005 is $14,000. The limit will increase to $15,000 in 2006.

What happens to my employee contributions when the annual limit is reached?

When the annual limit is reached, your employee contributions must be suspended for the remainder of the year. The TSP system will not allow any employee contribution to be processed that will cause the total amount of employee contributions for the year to exceed the annual limit. Your payroll office must ensure that your employee contributions automatically resume the first pay date in the following year.

What happens to my Agency Matching Contributions when the annual limit has been reached?

If you are a FERS employee, your Agency Matching Contributions are also suspended when the annual limit on elective deferrals has been reached. Agency Matching Contributions are based upon the amount of employee contributions that you make each pay period. If there are no employee contributions in a pay period, there can be no Agency Matching Contributions.

* FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Federal retirement systems. CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Federal retirement systems.

Does it make a difference if I reach the annual limit before the end of the year?

Yes. If you are a high-salaried FERS employee, you should keep the annual contribution limit in mind when deciding how much you will contribute to your TSP account each pay period. If you reach the annual maximum too quickly, you could lose some Agency Matching Contributions because you only receive Agency Matching Contributions on the first five percent of your basic pay that you contribute **each pay period**. If you reach the annual limit before the end of the year, your contributions (and consequently your Agency Matching Contributions) will stop. (If you are purposely making larger contributions early in the year in an attempt to maximize your earnings, be aware that the amount you could lose in Agency Matching Contributions would, in all likelihood, be far greater than the value of the added earnings you might receive by making employee contributions sooner.)

How can I make the maximum employee contribution and still receive the maximum Agency Matching Contribution each year?

To receive the maximum Agency Matching Contribution, you must contribute at least five percent of the basic pay you earn **each pay period** during the year. (The first five percent of your basic pay each pay period is matched—dollar-for-dollar on the first three percent and 50 cents on the dollar for the next two percent.)

To determine a dollar amount you can contribute each pay period so that your contributions are spaced out over all the (remaining) pay dates in the year, use the Elective Deferral Calculator on the TSP Web site (www.tsp.gov) or the worksheet attached to this fact sheet.

What happens to my Agency Automatic (1%) Contributions when my employee contributions and Agency Matching Contributions are suspended?

If you are a FERS employee, your agency must continue to submit Agency Automatic (1%) Contributions even though your employee contributions and Agency Matching Contributions are suspended. As a FERS employee, you are entitled to receive Agency Automatic (1%) Contributions whether or not you make employee contributions.

If I make up employee contributions that my agency or service should have made in a previous year, will they count against this year's elective deferral limit?

No. Employee contributions are subject to the IRS elective deferral limit for the year in which the contributions should have been made. If, due to an error, your agency or service failed to make your employee contributions in a previous year and you make up those contributions this year, your makeup contributions will not count against this year's elective deferral limit.

What about catch-up contributions? Do they count against the regular IRS elective deferral limit?

Catch-up contributions are payroll deductions that participants who are age 50 or older may be eligible to make in addition to regular employee contributions. They do not count against the IRS elective deferral limit. However, each year, the IRS limits the total amount of regular and catch-up contributions an employee can make. (For example, in 2005, total contributions cannot exceed $18,000: $14,000 in regular contributions, and $4,000 in catch-up contributions; in 2006, they cannot exceed $20,000: $15,000 in regular contributions, and $5,000 in catch-up contributions.)

Worksheet to Maximize the Amount of Agency Matching Contributions

Example. The example below applies to a FERS employee who earns $4,715 per biweekly pay period. The employee made an election that was effective December 12, 2004; the pay date for that pay period was January 5, 2005, which was the first pay date in 2005. (If the employee had made an election (later in December) that was effective December 26, 2004, the pay date would have been January 19, 2005, which was the second pay date in 2005.)

Your estimate. For Item 1, enter the IRS limit on employee contributions for the year in which your new election will be effective.

For Item 2, use your most recent leave and earnings statement to find the total amount of your year-to-date TSP employee contributions.

For Item 4, count the number of pay dates remaining in the calendar year, beginning with the pay date following the end of the first full pay period after you make your election.

	Example	Your Estimate
1. Enter the IRS elective deferral limit for 2005:	1. $ 14,000.00	$ _____
2. Enter all employee contributions made in 2005 prior to the effective date of your new election:	2. $ 0.00	$ _____
3. Subtract Line 2 from Line 1:	3. $ 14,000.00	$ _____
4. Enter the number of salary payments you will receive in 2005 from which your new election will be deducted:	4. 26	_____
5. Divide Line 3 by Line 4:	5. $ 538.46	$ _____
6. Round up the result in Line 5 to the next dollar to determine **the whole dollar amount you should contribute each pay date for the rest of the year** (which you will enter on your Form TSP-1 or TSP-U-1):	6. $ 539.00*	$ _____

* In this example, the last contribution of the year will be reduced to $525 by the employee's agency to prevent the employee from exceeding the elective deferral limit for the year.

Part II: Participating in the TSP and Another Tax-Deferred Retirement Plan

The following questions relate to excess deferrals (see definition below) made to both the TSP and another qualified employer plan as described under sections 401(k), 403(b), 408(k), or 501(c)(18) of the Tax Code. Certain Federal employees can participate in such plans *in addition to the TSP*, in which case the elective deferral limit applies to the combined total of *all* contributions for the year. Because tax rules are complex, you may wish to consult a tax advisor if you exceed the elective deferral limit.

What is an excess deferral?

An excess deferral is the amount of your contributions to tax-deferred plans that exceeds the relevant annual limit on elective deferrals.

What if I am contributing to more than one plan and my combined contributions exceed the annual limit?

You may request a refund of any excess deferrals from one or more of the plans in which you participate. Each plan then has the option of returning your excess deferrals, plus associated earnings, by April 15 of the year following the year in which the deferrals were made.

How does the TSP's refund process work?

If you notify the TSP in a timely manner that you wish to have excess deferrals refunded from the TSP, the TSP will return the excess deferrals and associated earnings to you.

To request a refund of excess deferrals and associated earnings, you can submit the form "Request for Return of Excess Employee Contributions to Participant," to the address on the form. You can reach the TSP at 1-877-968-3778. (Outside the U.S. and Canada, call 404-233-4400.) You must return the completed form to the TSP **by March 1 of the year after the excess deferrals were made**. The TSP will then process the refund and pay you the amount before April 15. Forms received after March 1 will not be processed.

What are the tax consequences if I contribute more than the annual limit in any tax year?

Excess deferrals are treated as income in the year in which you made the contributions, whether or not they are refunded to you. The total amount of deferred income is reported by each employer in Box 13 on your IRS Form W-2. If you have made excess deferrals, you must report the total amount of the excess on your individual income tax return as taxable wages for the year in which you made the excess deferrals.

If you elect to receive excess deferrals as a refund from the TSP, you will receive IRS Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., which will indicate the amount of the excess that was refunded to you. This distribution will also be reported to the IRS. If you have already filed your individual tax return for the year in which the excess was contributed and this amount was not included as taxable wages, you will need to file an amended tax return.

How are the earnings on excess deferrals treated for tax purposes?

Earnings distributed with excess deferrals are considered taxable income **in the year in which they are distributed** (unlike the excess deferrals themselves, which are considered taxable income **in the year in which they are contributed**). You will receive a separate IRS Form 1099-R indicating the amount of the earnings. You must report this amount as income in the year in which the distribution is made. This distribution will also be reported to the IRS.

What happens to the Agency Matching Contributions that were associated with the excess deferrals that were returned to me?

Your agency will be notified that you have requested to have your excess deferrals and associated earnings returned to you. Your agency is then required to remove from the TSP the Agency Matching Contributions associated with these excess deferrals. If your agency fails to remove the Agency Matching Contributions from your account within one year of the date the contributions were made, the TSP will remove them and use them to offset TSP administrative expenses.

Is a distribution of excess deferrals considered an early withdrawal and thus subject to the IRS tax penalty?

If the distribution is made by April 15 of the tax year following the year in which the excess deferral was made, it will not be considered an early withdrawal.

What happens if the distribution is not made by April 15 of the following tax year?

After April 15 of the following tax year, you cannot request to have the excess amount refunded. Instead, the money will remain in your account, and you will be taxed twice on it: once in the year in which the excess deferral is made, and then again when you separate and withdraw your account. (If the withdrawal is premature, the IRS early withdrawal penalty may also apply.) Earnings on the excess deferrals are taxed only once, when you withdraw the account.

Please note: As stated above, if the TSP does not receive your request by March 1, your request will not be processed; accordingly, you will not receive a distribution from the TSP of your excess deferrals.

Request for Return of Excess Employee Contributions to Participant

Tax Year 2005

Do not complete this form if you believe that you have excess contributions as a result of your contributions to your uniformed services Thrift Savings Plan (TSP) account, **plus** your contributions to your civilian TSP account. **Before you complete this form, please read the instructions on the back.**

Your Last Name | First Name | Middle Name

Social Security Number | Date of Birth (mm-dd-yyyy) 19 | Daytime Phone *(Area Code and Number)*

Agency/Service

Street Number or Box Number

Address Line 2

City | State/Country | Check if Non-U.S. | Zip Code

I, _____ (Your Name (Print)), am a participant in the Thrift Savings Plan and the _____ (Name of Other Plan or Plans).

My employee contributions to the TSP for the 2005 tax year, when added to my contributions to the other plan(s) identified above, exceeded the limits on contributions as stated in the Internal Revenue Code. Under the law (26 U.S.C. 402(g)), it is my responsibility to notify the TSP administrator how much, if any, of this excess amount I wish to withdraw from my TSP account. Accordingly, I am submitting this notice to the TSP administrator that I wish to withdraw from the TSP $, . , plus earnings or losses on this amount (calculated according to Internal Revenue Service (IRS) regulations and TSP rules). I understand that this amount will be distributed to me no later than April 15, 2006. I understand that under IRS rules, any employee contributions returned to me constitute taxable income for 2005, while the earnings on those amounts constitute taxable income for 2006.

I further understand that the employee contributions will be removed from my TSP account based on the most recent dates the contributions were deposited to my account in 2005. The last contributions will be removed first. In addition, if I am a FERS employee, any agency matching contributions (and associated earnings) attributable to the amount of my excess employee contributions must also be removed from my TSP account, and my agency will be asked to remove these matching contributions. If my agency does not remove these contributions within one year of the date the first excess employee contribution was made for the applicable year, the excess agency matching contributions (plus earnings) will be forfeited to the TSP. However, if I have both a uniformed services and a civilian TSP account, any tax-deferred employee contributions will first be removed from my uniformed services account to avoid disrupting agency matching contributions.

I acknowledge that it is not the responsibility of the TSP to inquire whether I have made excess contributions to the other plan(s) named above.

Certification— I certify that the information I have provided is true to the best of my knowledge. **Warning:** Any intentional false statement in this request or willful misrepresentation concerning it is a violation of law that is punishable by a fine of as much as $10,000 or imprisonment for as long as 5 years, or both (18 U.S.C. 1001).

Participant's Signature

Date Signed (mm-dd-yyyy) – – 200

Form OC 91-5 (10/2005)

Instructions

You may choose to receive a refund of any or all of your excess employee contributions from the TSP, or you may choose to receive part of your excess contributions from the TSP and the rest from your other plan. This request applies only to the refund from the TSP. It must be received by the Federal Retirement Thrift Investment Board no later than **March 1, 2006**. Forms received after that date will not be processed. Also, an incomplete or incorrectly completed form will not be processed.

1. Complete this form **if** in 2005 (1) you were a participant in the Thrift Savings Plan (TSP) and a plan or plans as described under sections 401(k), 403(b), 408(k), 457, or 501(c)(18) of the Internal Revenue Code **and** (2) the total contributions you made to all of these plans exceeded $14,000 or, if you elected to make catch-up contributions, the total contributions you made exceeded $18,000. Your excess contributions will be removed from your account beginning with the last contributions made in December. If that amount is not sufficient to remove all of the excess, an earlier December contribution will be removed, then the last contribution made in November will be removed, and so on.

   The TSP will notify you and the IRS of the return of both employee contributions and attributable earnings, reporting each amount on a separate Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. It is your responsibility to report these amounts as taxable income for the appropriate years on your Federal tax returns, or to file amended tax returns, if necessary. **Note: You should consult with your plan administrator, trustee, or custodian concerning any limit on the amount you can contribute to your TSP account if you also contribute to another retirement plan or a tax-sheltered annuity.**

2. Be sure to include on the front of this form the complete name of the other plan or plans to which you made contributions. **Do not include the Thrift Savings Plan.** For excess contributions that relate **only** to your TSP accounts (i.e., civilian and uniformed services), **do not complete this form**. Any excess contribution resulting from your contributions to your combined TSP accounts will be returned to you automatically.

3. Submit the completed form to:

   Federal Retirement Thrift Investment Board
   Attn: Office of Benefits Services
   1250 H Street, NW
   Washington, DC 20005

   Telefax Number: (202) 942-1451

PRIVACY ACT NOTICE. We are authorized to request this information under 5 U.S.C. chapter 84. Executive Order 9397 authorizes us to ask for your Social Security number, which will be used to identify your account. We will use the information you provide on this form to process your request for the return of excess employee contributions. This information may be shared with other Federal agencies or the uniformed services for statistical, auditing, or archiving purposes. In addition, we may share the information with law enforcement agencies investigating a violation of civil, criminal, or military law, or agencies implementing a statute, rule, or order. It may be shared with congressional offices, private sector audit firms, spouses, former spouses, and beneficiaries, and their attorneys. We may also disclose relevant portions of the information to appropriate parties engaged in litigation. You are not required by law to provide this information, but if you do not provide it, we will not be able to process your request.

Form OC 91-5 (10/2005)

July 2004

Thrift Savings Plan HIGHLIGHTS

Customer Service Updates

The ThriftLine hasn't changed — we've just made it more accessible! Participants can now call the ThriftLine **toll-free**. The new ThriftLine number is:

1-TSP-YOU-FRST
(1-877-968-3778)

We also have a new number for participants who use TDD services — 1-TSP-THRIFT5 (1-877-847-4385).

Use these new numbers from the 50 states, the Virgin Islands, Puerto Rico, and Canada. Other international callers should continue to call 504-255-8777 (not a toll-free number).

In addition, the TSP Service Office hours have been expanded to Monday through Friday, 7:00 a.m. – 9:00 p.m. eastern time.

Loan Program Changes

As previously announced, effective July 1, 2004, the TSP will deduct a $50 fee from the proceeds of each new loan.

In addition, you may have only one general purpose loan and one residential loan at a time. If you already have two general purpose loans, you did not have to pay one off by July 1, but you will not be able to replace it once it has been repaid.

Also, when you pay off one loan, you will not be eligible to apply for another loan of the same type for 60 days.

Visit the TSP Web site for more information.

How much do you need for retirement?

If you are looking forward to a long, busy retirement, doing the things that give you pleasure, do you know how much money you will need to make your plan a reality? Many people don't take the time to figure this out until mid-career, or even later. Consequently, at retirement, they find they have to change their expectations because they haven't saved enough. Don't let this happen to you. **Consider , Calculate, Review, and Revise.**

CONSIDER the factors that may affect your financial plan. For example:

- Financial experts suggest that you may need between 60% and 100% of your preretirement income, depending on your anticipated expenses in retirement and whether you plan to maintain your current lifestyle. You may need more than you think!
- Most people who retire at 65 can expect to live 20 years or more in retirement. If you plan to retire earlier, you will need even more resources.
- Your health care costs are likely to increase as you get older.
- Do you anticipate any large expenses that need to be considered, such as the purchase of a retirement home?
- Inflation will reduce your spending power. Over a 20- to 30-year retirement, this could be significant. Your money should remain invested — even during retirement — so your spending power can keep up with inflation.
- You will have to pay taxes on any tax-deferred amounts that you withdraw from your TSP account.

CALCULATE your anticipated expenses in retirement and your estimated savings . This is a crucial step if you are to make informed decisions about your future. Fortunately, there are many resources available to help you through this process, including:

- The Employee Benefit Research Institute and American Savings Education Council's joint Web site offers over 100 financial planning calculators and interactive tools, including the Ballpark Estimate Calculator — www.choosetosave.org.
- The TSP calculator, Projecting Your Account Balance — www.tsp.gov.

Other Information

- Free printed materials, U.S. Dept. of Labor, including *Top Ten Ways To Save for Retirement* (1-800-998-7542)
- Social Security Administration (SSA) — www.ssa.gov
- National Save For Your Future Campaign — www.saveforyourfuture.org
- Alliance for Investor Education — www.investoreducation.org
- Securities and Exchange Commission — www.sec.gov

(Continued on back)

First, you should determine your anticipated expenses and calculate the percentage of your current income that you will need in retirement.

Next, review your current savings and other assets to see where you are now and, with your retirement date in mind, calculate the growth of your assets, including your TSP account.

Project the amount of your Federal pension, other pensions, and your Social Security payments (if you're eligible). Then calculate the amount of monthly income you can expect. The TSP withdrawal calculators can help you estimate payments from your TSP account.

Then determine the amount of additional savings you will need to accumulate in order to make up the difference in your monthly income.

When you put all the pieces together, you should be able to determine whether you will have enough money to last for your retirement years. If you need more help, consider using the services of a financial planner.

REVIEW and REVISE your retirement plan at least annually. If the numbers are not what you want them to be, what can you do to make up for a shortfall?

- Save more. The TSP is an important part of your retirement plan. If you are covered by **FERS**, make sure you are contributing **at least 5%** so that you receive all of the matching contributions. Make sure you are saving for your other needs also, so you don't need to tap your TSP account for nonretirement purposes.
- Review your investments and decide how much risk you are willing to take. (This topic will be addressed in the next *TSP Highlights*.)
- If you are over age 50 and already contributing the maximum amount of regular contributions, take advantage of catch-up contributions.
- Put additional money into IRAs.
- You may be able to consolidate your investments by moving your other eligible retirement savings into your TSP account to take advantage of the TSP's low administrative expenses.
- Revise your savings plan as needed so that you can reach your goals. Your retirement calculations should be dynamic.

WHAT ELSE can you do? Learn more about planning for retirement. Visit your public library, surf the Internet, and check out the mid-career and preretirement seminars offered by your agency or service.

Remember, it's better to end up with too much than too little!

Rates of Return

Year	G Fund	F Fund	LBA Bond Index	C Fund	S&P Index	S Fund	Wilshire 4500 Index	I Fund	EAFE Index
1994	7.2%	– 3.0%	– 2.9%	1.3%	1.3%	–	– 2.7%	–	7.8%
1995	7.0	18.3	18.5	37.4	37.6	–	33.5	–	11.3
1996	6.8	3.7	3.6	22.8	23.0	–	17.2	–	6.1
1997	6.8	9.6	9.7	33.2	33.4	–	25.7	–	1.5
1998	5.7	8.7	8.7	28.4	28.6	–	8.6	–	20.1
1999	6.0	– 0.8	– 0.8	21.0	21.0	–	35.5	–	26.7
2000	6.4	11.7	11.6	– 9.1	– 9.1	–	– 15.8	–	– 14.2
2001	5.4	8.6	8.4	– 11.9	– 11.9	– 2.2*	– 9.3	– 15.4*	– 21.4
2002	5.0	10.3	10.3	– 22.0	– 22.1	– 18.1	– 17.8	– 16.0	– 15.9
2003	4.1	4.1	4.1	28.5	28.7	42.9	43.8	37.9	38.6
Compound Annual Rates of Return 1994 – 2003									
	6.0	6.9	6.9	11.0	11.1	–	9.8	–	4.4
Monthly Returns for 2004									
Jan.	0.3	0.8	0.8	1.8	1.8	3.5	3.6	1.3	1.4
Feb.	0.4	1.1	1.1	1.3	1.4	1.8	1.8	2.2	2.3
Mar.	0.3	0.7	0.7	– 1.5	– 1.5	0.4	0.4	0.6	0.6
Apr.	0.3	– 2.5	– 2.6	– 1.5	– 1.6	– 3.9	– 4.0	– 2.3	– 2.3
May	0.4	– 0.5	– 0.4	1.4	1.4	1.5	1.5	0.3	0.3

The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, and I Funds, after deduction of trading costs and accrued investment management fees. The returns for the four indexes shown do not include any deduction for administrative expenses, trading costs, or investment management fees.

* The S and I Funds were implemented in May 2001; therefore, there are no returns for these funds for earlier periods. Returns shown for 2001 are for May through December.

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Thrift Savings Plan HIGHLIGHTS January 2004

Changes to the TSP Loan Program

Effective July 1, 2004, the TSP will make three changes to the Loan Program:

- A $50 fee will be deducted from the amount of each new loan.
- You will no longer be able to have two general purpose loans at the same time. You will still be able to have one general purpose loan and one residential loan.
- When you pay off one loan, you will not be eligible to apply for another loan for 60 days.

The TSP Loan Program is an important benefit, and we recognize that some participants need to have access to the money in their accounts for legitimate reasons. However, you should not tap into these funds as if they were in a checking or savings account. The TSP is a long-term investment intended for retirement. Removing money from your account — even if you pay it back — may diminish the amount available for your retirement.

TSP Loan Facts

- In 2003, we issued more than 300,000 loans. This is an increase of nearly 50% over 2002.
- At the present time, more than 500,000 participants have loans. (Over 40% of these participants have **two** loans.)
- One-quarter of participants paying off a TSP loan take another loan within 60 days.

Why are we making these changes? In recent years we have seen a significant increase in the number of loans. Some participants constantly have two outstanding loans, taking another loan immediately after one is paid in full. This practice results in administrative expenses that are currently charged to all TSP participants, whether or not they ever use the Loan Program.

The changes to the Loan Program will reinforce the importance of borrowing from your TSP account only as a last resort. For participants who need a TSP loan, the $50 fee will cover the cost of processing and servicing the loan and will ensure that these costs are paid by the 500,000 participants who use the program, and not by the 2.7 million participants who do not use the program.

Considerations for Tax Year 2003

Did you contribute to more than one plan in 2003?

The Internal Revenue Code limits the amount of money that you can contribute to the TSP and other defined contribution plans (for example, another 401(k) plan). For 2003, that amount was $12,000 ($14,000 if you were age 50 or older and eligible to make catch-up contributions). If you contributed to both the TSP and another plan, you must make sure that your combined contributions didn't exceed these limits; otherwise, you may be subject to adverse tax consequences.

If you have exceeded the limits for 2003, you must request a refund from one of the plans to which you contributed. The Fact Sheet, "Annual Limit on Elective Deferrals," and its attached form, Request for Return of Excess Employee Contributions to Participant, are on the Web site at www.tsp.gov. To ensure that your refund is sent to you by April, the TSP must receive your request no later than February 20, 2004. (Members of the uniformed services serving in a combat zone may be eligible for an extension.)

Did you receive a payment in 2003 from your TSP account?

Did you receive a withdrawal or have a taxable distribution declared on a TSP loan? If so, in January the TSP will mail you an IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. This form has the information you will need to complete your tax returns for 2003.

If you received payments from a TSP annuity in 2003, Metropolitan Life Insurance Company will send you a Form 1099-R for those payments.

For more information, read the notice, "Important Information About Payments From Your TSP Account," available on the Web site.

Web or Paper?

TSP participant statements are now available on the TSP Web site. Unless you specifically request to have a paper statement mailed to you, all future statements will be available only on the Web site.

You can change the way you are receiving your statements in the Account Access section of the Web site at www.tsp.gov, on the ThriftLine, (504) 255-8777, or by contacting the TSP Service Office. You can request the change at any time; however, the change must be processed by the end of the statement period.

If you are new to the TSP, your first participant statement will be mailed to you. Thereafter, statements will be on the Web site. You do not have to take any action if you wish to continue to receive your statements on the Web.

We hope you'll like getting your statements on the Web — it reduces both administrative expenses and the amount of paper in your mailbox!

TSP Fund Balances

as of 11/30/2003

G Fund	$ 53.4 billion
F Fund	$ 10.8 billion
C Fund	$ 53.5 billion
S Fund	$ 5.2 billion
I Fund	$ 1.7 billion
Total	**$124.6 billion**
Participants	3.2 million

TSP Service Office
National Finance Center
P.O. Box 61500
New Orleans, LA 70161-1500

Rates of Return

Refer to the TSP Web site for the 2003 annual rates of return.

Year	G Fund %	F Fund %	LBA Bond Index %	C Fund %	S&P Index %	S Fund %	Wilshire 4500 Index %	I Fund %	EAFE Index %
1993	6.1	9.5	9.8	10.1	10.1	–	14.6	–	32.7
1994	7.2	– 3.0	– 2.9	1.3	1.3	–	– 2.7	–	7.8
1995	7.0	18.3	18.5	37.4	37.6	–	33.5	–	11.3
1996	6.8	3.7	3.6	22.8	23.0	–	17.2	–	6.1
1997	6.8	9.6	9.7	33.2	33.4	–	25.7	–	1.5
1998	5.7	8.7	8.7	28.4	28.6	–	8.6	–	20.1
1999	6.0	– 0.8	– 0.8	21.0	21.0	–	35.5	–	26.7
2000	6.4	11.7	11.6	– 9.1	– 9.1	–	– 15.8	–	– 14.2
2001	5.4	8.6	8.4	– 11.9	– 11.9	– 2.2*	– 9.3	– 15.4*	– 21.4
2002	5.0	10.3	10.3	– 22.0	– 22.1	– 18.1	– 17.8	– 16.0	– 15.9
Compound Annual Rates of Return 1993 – 2002									
	6.2	7.5	7.5	9.3	9.3	–	7.3	–	4.0
Monthly Returns for 2003									
Jan.	0.3	0.1	0.1	– 2.7	– 2.6	– 2.4	– 2.2	– 4.2	– 4.2
Feb.	0.3	1.4	1.4	– 1.5	– 1.5	– 2.6	– 2.5	– 2.3	– 2.3
Mar.	0.3	– 0.0	– 0.1	1.0	1.0	1.6	1.5	– 1.9	– 2.0
Apr.	0.3	0.8	0.8	8.3	8.2	8.3	8.3	9.8	9.8
May	0.3	1.9	1.9	5.3	5.3	9.4	9.5	6.1	6.1
June	0.2	– 0.3	– 0.2	1.2	1.2	2.2	2.4	2.3	2.4
July	0.3	– 3.4	– 3.4	1.8	1.8	4.6	4.7	2.3	2.4
Aug.	0.4	0.7	0.7	1.9	2.0	4.1	4.2	2.4	2.4
Sep.	0.4	2.7	2.7	– 1.1	– 1.1	– 1.3	– 1.2	3.1	3.1
Oct.	0.3	– 1.0	– 1.0	5.7	5.7	7.7	7.7	6.1	6.2
Nov.	0.3	0.3	0.2	0.9	0.9	3.5	3.4	2.2	2.2

The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, and I Funds, after deduction of trading costs and accrued investment management fees. The returns for the four indexes shown do not include any deduction for administrative expenses, trading costs, or investment management fees.

* The S and I Funds were implemented in May 2001; therefore, there are no returns for these funds for earlier periods. Returns shown for 2001 are for May through December.

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Questions & Answers About the L Funds

In April 2004, the Federal Retirement Thrift Investment Board decided to offer lifecycle funds to TSP participants. Gary A. Amelio, the Board's Executive Director, advocated introducing these funds, explaining that from an investment perspective, it was the only material gap in the TSP and the next logical step in keeping the TSP consistent with the best plan designs in the industry.

The TSP is pleased to announce that, effective August 1, 2005, the new Lifecycle (L) Funds are available to participants. The following Questions and Answers respond to common inquiries about lifecycle funds in general and the new TSP L Funds.

Q1: I understand the TSP has introduced a new type of investment fund. What is it?
Q2: What is the assumption underlying lifecycle funds?
Q3: Why does the TSP want to offer lifecycle funds?
Q4: What will the TSP lifecycle funds invest in?
Q5: How is the TSP planning to implement these lifecycle funds?
Q6: How many lifecycle funds will be offered?
Q7: How do I begin investing in an L Fund?
Q8: Will I have to pay extra fees or expenses to invest in the L Funds?
Q9: Will there be any restrictions on my investment in the L Funds?
Q10: My time horizon date falls in between the time horizon dates of two of the L Funds. What should I do?
Q11: Can I lose money in the L Funds?
Q12: If I can lose money in the L Funds, why should I invest in them?
Q13: Who should not use the L Funds?
Q14: Can I duplicate the L Fund allocations without investing in the L Funds?
Q15: I'm going to invest in the L 2030 Fund. Do I have to take action to move my account into the L Income Fund in the year 2030?
Q16: Why does the L Funds' efficient frontier line look so flat?
Q17: I recently received a disc in the mail from the TSP about the new L Funds, but it did not work in my computer's CD drive. What is the matter?

Questions and Answers as of October 27, 2005

Q1: I understand the TSP has introduced a new type of investment fund. What is it?

A: Beginning August 1, 2005, the TSP is offering lifecycle funds. Lifecycle funds are target asset allocation funds. These funds have a mix of investments of different types and characteristics, such as domestic stocks, international stocks, and bonds. The mix is chosen based on the date when you will need to use your money. If that date is a long time from now, the lifecycle fund in which you are invested will be more heavily weighted toward equities (stocks or stock funds). As the date you will need your money gets nearer, the allocation will be weighted more heavily toward fixed income or stable value investments (e.g., bonds or bond funds, Treasury securities).

Q2: What is the assumption underlying lifecycle funds?

A: The assumption underlying lifecycle funds is that participants with longer time horizons for investment are both willing and able to tolerate more risk (up and down swings in an investment portfolio) while seeking higher rates of return. A further assumption is that as participants approach the time when they will begin to withdraw their assets from the Plan, their portfolios should be adjusted to reflect a lower tolerance for risk. Thus, a young person who is many years from retirement would invest in a lifecycle fund containing investments with higher risk and higher potential returns (such as stocks), and less in low-risk, lower-return investments (such as Government securities). The investments in each fund would adjust gradually and automatically to low risk portfolios as the fund's time horizon approaches. This process is referred to as asset reallocation.

Q3: Why does the TSP want to offer lifecycle funds?

A: Studies have shown that many 401(k) participants do not have the time, interest, or experience to manage their accounts. As a result, they may take too much risk for the returns they receive. They could either achieve better returns with the same amount of risk, or they could receive the same return with less risk. Our analysis of the data shows that some TSP participants appear to either be chasing the latest returns or leaving their accounts unattended altogether, never adjusting the allocation of their portfolios. Some participants leave their entire account in the most conservative fund, the G Fund, when they may need the higher potential returns of the other funds to give them the retirement income they want.The evidence therefore suggests that many TSP participants could benefit from the professional asset allocation offered by the lifecycle funds.

Q4: What will the TSP lifecycle funds invest in?

A: The TSP lifecycle funds will invest only in the five funds currently offered by the TSP. We will not be adding new funds or asset classes. Thus, the lifecycle funds will be composed of various percentages of the G, F, C, S, and I Fund assets. The C, S, and I Funds will provide exposure to domestic and international equities, while the G and F Funds will provide fixed income and stable value investments.

Q5: How is the TSP planning to implement these lifecycle funds?

A: The Federal Retirement Thrift Investment Board has hired, through competitive procurements, two firms to advise it on the development and implementation of the TSP lifecycle funds. Mercer Investment Consulting, Inc., is developing the asset allocation models for the funds, while CitiStreet LLC will help devise communications materials for the funds.

Q6: How many lifecycle funds will be offered?

A: Based on Mercer's recommendations, the TSP decided to offer five lifecycle funds, collectively referred to as the L Funds :

L 2040, with a horizon date of 2040
L 2030, with a horizon date of 2030
L 2020, with a horizon date of 2020
L 2010, with a horizon date of 2010
L Income, for participants who are already withdrawing their money or who are just about to begin withdrawal.

Q7: How do I begin investing in an L Fund?

A: Beginning August 1, you can invest in an L Fund by:
-Changing your current contribution allocation to invest future contributions.
-Completing an interfund transfer to move your existing TSP account balance.

Q8: Will I have to pay extra fees or expenses to invest in the L Funds?

A: No. The only fees or expenses charged for the L Funds will be the expenses associated with the individual TSP funds in which L Funds invest.

Q9: Will there be any restrictions on my investment in the L Funds?

A: No. You will be able to enter or leave the L Funds when you want, as you can with the individual TSP funds. You will also be able to move among the L Funds. Therefore, if your time horizon or your investment strategy changes significantly, you can select a different L Fund or change to the individual TSP funds.You can invest any portion of your account in the L Funds, and you can invest in more than one of the funds (as well as in the individual TSP funds). However, participants are cautioned about investing in multiple funds. The L Funds are designed so that 100% of your TSP account should be invested in the single L Fund that most closely matches your time horizon. Any other use of the L Funds may result in less than optimal returns, a higher amount of risk in your portfolio, or both.

Q10: My time horizon date falls in between the time horizon dates of two of the L Funds. What should I do?

A: You can choose the L Fund that is closest to your desired time horizon date. The following chart can help you decide:

If your time horizon is:	Select:
2035 or later	L 2040
2025 through 2034	L 2030
2015 through 2024	L 2020
2008 through 2014	L 2010
Before 2008 (or currently receiving monthly payments)	L Income

Q11: Can I lose money in the L Funds?

A: Yes. Because the L Funds will invest in the five individual TSP funds in varying percentages, the L Funds can have periods of gain and loss, just as the individual funds do. Investing in the L Funds is not a guarantee against loss and does not eliminate risk.

Q12: If I can lose money in the L Funds, why should I invest in them?

A: The L Funds provide a way to diversify your account optimally, based on professionally determined asset allocations. This provides you with the opportunity to achieve a maximum amount of return over a given period of time with a minimum amount of risk. Remember, however, that both the expected return and expected risk are based on assumptions about future economic performance and the most likely investment results. There is no guaranteed rate of return for any period, either short-term or long-term. These funds make investing easy, since the investment decisions are made by investment professionals and are carried out automatically. You don't have to worry about the appropriate investment mix or remember to rebalance your account to maintain your investment strategy.

Q13: Who should not use the L Funds?

A: Participants who have unique investment needs and the discipline to develop and follow an investment strategy that is appropriate for those needs may not benefit from the L Funds. This may include, for example, participants who have developed their own asset allocation strategy with the help of a professional investment advisor, or participants who are already investing substantial assets outside of the TSP and whose TSP asset allocations need to take those other investments into account.

Q14: Can I duplicate the L Fund allocations without investing in the L Funds?

A: This is theoretically possible, but it would require a great deal of time and discipline to rebalance and reallocate your account properly. Because the L Funds do not have any additional fees or expenses and have no other investment restrictions, it would not appear to be worth the effort to try to duplicate their performance yourself.

Q15: I'm going to invest in the L 2030 Fund. Do I have to take action to move my account into the L Income Fund in the year 2030?

A: No. Everything is done automatically according to the fund's target date (in your case, 2030). Over the years, the investments in the L 2030 Fund will be automatically adjusted to become more and more conservative. By its target horizon date (July 2030), the allocation of L 2030 will be the same as the allocation of the L Income Fund. At that time, the L 2030 Fund will roll into the L Income Fund and the L 2030 Fund will no longer exist.

Q16: Why does the L Funds' efficient frontier line look so flat?

A: The efficient frontier is usually described by a curved line. However, in the case of the L Funds, the curve of the line is affected by the unique risk and return characteristics of the G Fund. The G Fund is able to deliver rates of return like those on long-term Treasury securities with very little expected variance of returns (i.e., little risk). This means that expected returns on the left end of the line (where the G Fund is the most significant part of the L Fund portfolios) are higher for the amount of risk taken than would normally be the case. This results in a flatter line.

Q17: I recently received a disc in the mail from the TSP about the new L Funds, but it did not work in my computer's CD drive. What is the matter?

A: The disc you received from the TSP is a DVD, which is meant to be played in a DVD player and viewed on your television screen. It is not a CD, and therefore cannot be viewed on your computer unless you have DVD drive.

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NALC

Mutual Benefit Association

Retirement Manual 5

5 Mutual Benefit Association

The MBA has long provided NALC members and their families with annuity savings, supplemental life insurance and hospitalization plans. This chapter contains the MBA pamphlets for each of the organization'splans.

Although federal retirement benefits are good, they are seldom enough, on their own, to afford annuitants a comfortable retirement. Retirement planners recommend additional savings to supplement our employers' retirement plans.

NALC's MBA plans enable letter carriers to achieve greater financial security. The Maturity Income annuity savings plan is a great way to accumulate tax-deferred savings. The plan currently (October 2005) pays five (5) percent interest on contributions, a rate difficult to find elsewhere.

Contents

A. All MBA Plan Brochures

More Information

See the MBA page on NALC's website, www.nalc.org, or contact MBA at its toll-free number, 1-800-424-5184, 8:00-3:30 EDT, Tuesdays and Thursdays.

MBA Insurance Programs

The insurance plans offered by the MBA are described briefly on the following pages. All are designed to give NALC members and their families the best possible protection for the lowest cost.

MBA Plans–

Designed for NALC Members and Their Families

All NALC members, active and retired, are eligible to participate in the Mutual Benefit Association's insurance and retirement plans. Family members including a spouse, child, grandchild or great-grandchild are also eligible.

Once a member or family member signs up for an MBA plan, the participant agreement becomes a contract between the individual and the MBA. The contract continues even after the membership terminates.

Payroll deductions are the best method for paying the MBA.

Retirees cannot, at this time, pay for MBA plans through an annuity deduction. So they must pay the MBA directly, either monthly or annually.

For more information or applications, contact your NALC branch's MBA representative or call the MBA's toll-free number (see below).

For more information contact your local branch office or call MBA's nationwide WATS line

1 (800) 424-5184

Tuesday & Thursday, 8:00 AM–3:30 PM EDT, or call the MBA at

(202) 638-4318

Monday–Friday, 8:00 AM–3:30 PM EDT.

United States Letter Carriers
Mutual Benefit Association
100 Indiana Avenue, N.W., Suite 510
Washington, D.C. 20001-2144

William H. Young, President
Brian E. Hellman, Director
Board of Trustees
Chairman Daniel T. Rupp
Lawrence D. Brown, Jr.
Randall L. Keller

MBA Plans

Life Insurance

Foundation 2

Foundation 2 is a whole life insurance plan that lets you choose from $10,000, $15,000, $25,000 or $50,000 worth of coverage.

Premiums are based on the amount of the policy benefit and your age at the time of purchase. With this plan, premiums remain the same throughout the life of your policy. You may pay Foundation 2 premiums once a year, eleven times a year or biweekly under the payroll deduction plan.*

Foundation 2 also builds up a guaranteed cash value with tax deferred interest. This cash buildup is available to you at any time— in emergencies, at tuition time or during retirement. You can borrow against your cash buildup and still keep your Foundation 2 plan in force, or you may trade in your policy for the cash value (which you can take as a lump sum, or a regular income).

Your cash value will earn a minimum guaranteed rate of 5 1/2 % a year; however, the MBA expects all Foundation 2 policies to earn interest at higher rates. Should you decide to borrow against your Foundation 2 policy, the interest rate will be 8%, or the rate determined by the state in which your policy is issued (whichever is lower).

* Retirees may choose to pay premiums monthly or annually. Sorry, retirees are not eligible to use payroll deductions.

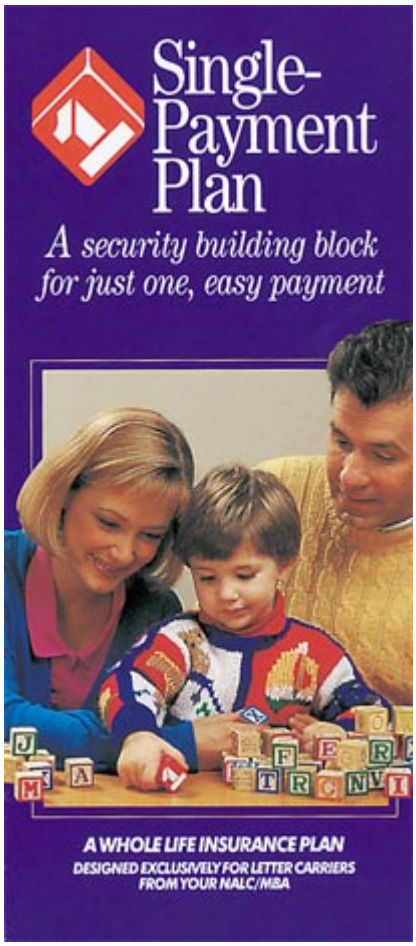
MBA Plans

Life Insurance

Single-Payment Plan

Single-Payment Plan is one of the most convenient whole life plans available. For a single, once-in-a-lifetime premium payment you, or any eligible member of your family, can have life insurance coverage of $5,000, $10,000, $20,000, or any amount you choose (subject to MBA's maximum face value limitations).

With this plan you not only get immediate real-cash value, but also investment advantages like favorable tax-free interest earnings, easy low-interest loan availability, an instant cash-value option, a no cancellation guarantee, and of course, full death benefits.



Single-Payment also lets you decide whether to leave your dividends on deposit to increase your cash value, or to use them to increase your death benefit.

It's the most convenient way to give your loved ones added financial security.

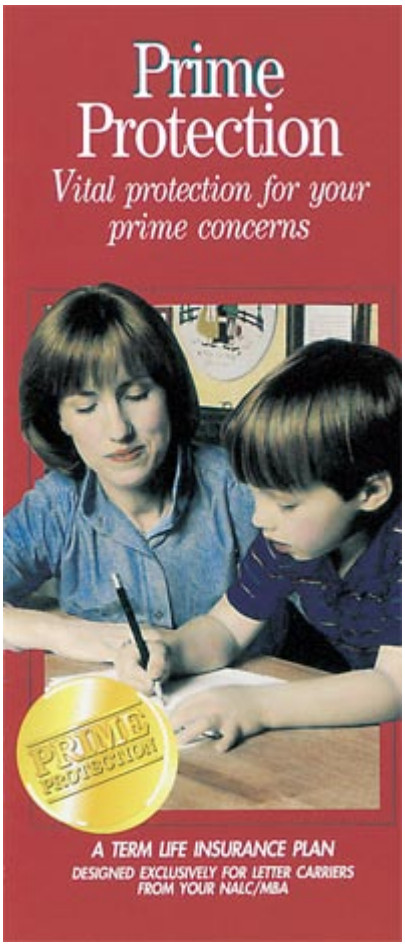
MBA Plans

Life Insurance

Prime Protection

Prime Protection is a 5-year renewable and convertible term policy. In the event of your death, Prime Protection will pay your beneficiaries the full amount of your policy for as long as it's in force. This plan lets you choose coverage of $10,000, $15,000, $25,000, or $50,000.

With Prime Protection, your premium will remain the same until the 5-year term has ended. You can renew for another five years of coverage without a medical exam. At each renewal period, your premium increases according to your age. You may continue Prime Protection coverage until age 80.



You can also convert your Prime Protection policy to a whole life policy, such as Foundation 2, without taking a medical exam, if the insured is under the age of 65.* Prime Protection is available for your spouse at the same benefit amounts open to you. Premiums can be paid annually, 11 times a year, or biweekly through payroll deductions.** You may choose to have your dividends paid in cash or left on interest-bearing deposit.

* Retirees may choose to pay premiums month-ly or annually. Sorry, retirees are not eligible to use payroll deductions.

** This feature does not apply if you have been a victim of a permanent and total disability, and the policy you seek contains a disability waiver rider. If you convert to Foundation 2, the premiums are specified according to your age on the date of conversion

MBA Plans

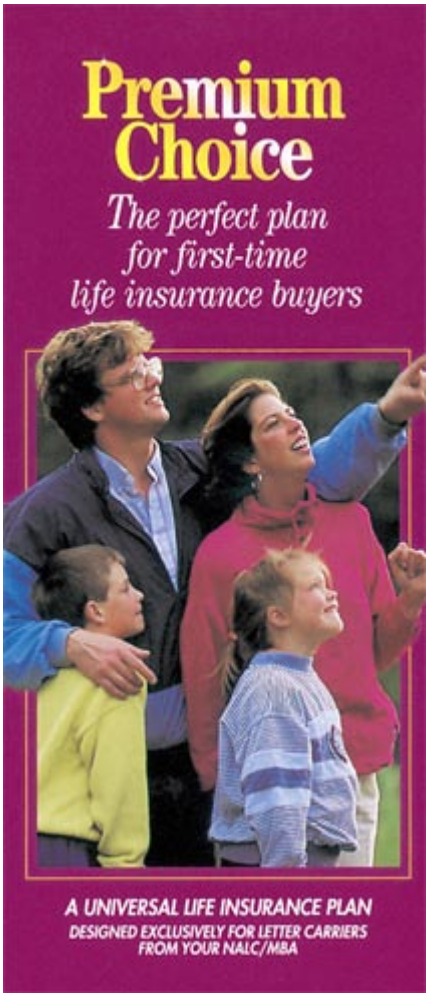
Life Insurance

Premium Choice

Premium Choice gives you a real-cash value investment, and low-cost premiums in one universal life policy. You can choose whole life insurance coverage of $10,000, $15,000, $25,000, or $50,000.

With this policy, your premiums go into a cash account that earns tax-free interest at favorable rates. Each month, interest is added to your account, then the cost of your insurance protection and a small administration fee are deducted.

You can increase or decrease your insurance coverage, add lump sums to your cash account, withdraw cash, change or even stop premium payments while your insurance coverage stays in effect as long as the account value will cover the cost of insurance and policy fees.**



Premium Choice protects your earning power with a minimum rate of return guaranteed for a full year. Your earned interest will never be less than 5% annually. Premium payments can be made monthly or annually, or through convenient biweekly payroll deductions.*

* Retirees may choose to pay premiums monthly or annually. Sorry, retirees are not eligible to use payroll deductions.

** Subject to IRS regulations and the guidelines as set forth in the plan's contract.

MBA Plans

Life Insurance

START

START is a limited-payment life insurance policy especially suited to letter carriers who want to insure their young children. It lets you build up cash for your children's future. Whether you choose $10,000, $15,000, $25,000, or $50,000 worth of coverage, you pay premiums for 20 years. In the event of the insured's death, START will pay survivors the full amount of the policy.

After the 20 years, you may keep the coverage at no cost, or surrender your policy for its cash value. If you choose to keep the policy in force, your cash value will continue to build up at current dividend rates. You may borrow against or surrender your START plan any time.

START premiums may be paid once a year, eleven times a year or bi-weekly under the payroll deduction agreement.*

Group Policy

This **Group Accidental Death Benefit Contract** provides $5,000 of accidental death benefit coverage for every active and retired member of the NALC. The NALC pays the entire premium for the basic coverage; each branch has the option to purchase additional accidental death benefits and level-term life insurance coverage.

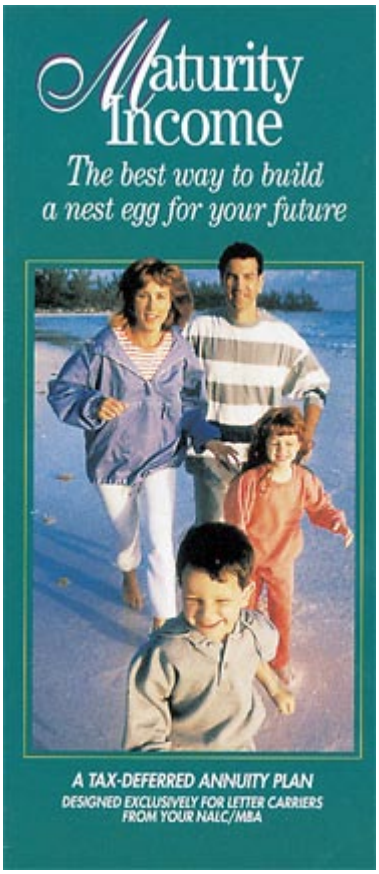
* Retirees may choose to pay premiums monthly or annually. Sorry, retirees are not eligible to use payroll deductions.

MBA Plans

Retirement Plan

Maturity Income

Maturity Income is a retirement income plan designed to supplement your pension. You make small payments to the plan while you're young, so you can receive a lifetime of monthly payments after you retire—even if you live to be 200!



Under the Maturity Income plan, you can also request a guaranteed number of monthly payments.

You choose the amount you want to contribute to your Maturity Income plan. It can be as little as

$15 per pay period (the minimum amount allowed). You may also select your method of payment: MBA can deduct payments automatically from your paycheck, or bill you monthly or annually. *

As your Maturity Income plan grows, you can expect to earn competitive interest rates. The plan is tax-deferred, which means you do not pay taxes on any of your interest until you draw on it— further improving your yield.

When you're ready to retire, MBA offers a choice of four ways to collect monthly benefits:

Life Annuity With Period Certain. Receive a lifetime of monthly payments. You're guaranteed this income for as long as you live. If you die during a specified period (5, 10, 15, or 20 years), payments go to your beneficiary until the end of the period.

Life Annuity. Receive monthly payments through your lifetime. No further benefits will be paid after your death.

Joint Life Annuity. You or your beneficiary receive monthly payments as long as either of you live.

Full Cash Refund. Receive monthly payments as long as you are alive. When you die, the MBA will pay any money in your account to your beneficiary.

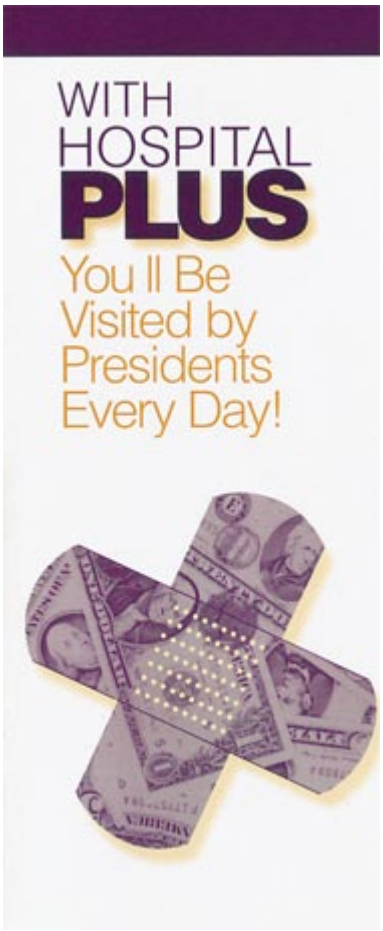
* Retirees may choose to pay premiums monthly or annually. Sorry, retirees are not eligible to use payroll deductions.

MBA Plans

Accident and Health Plans

Hospital Plus

If you're hospitalized for illness or injury, the MBA can help your financial health with cash payments of $30, $50, or $75 a day. With **Hospital Plus,** cash benefits start on the first day you are hospitalized, and continue for up to 365 days.



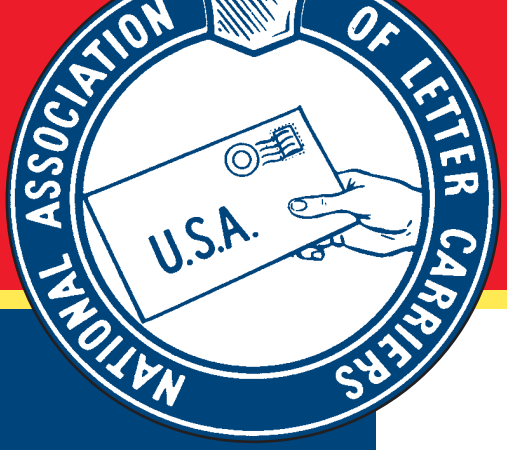
Hospital Plus also lets you cover your spouse and children. The spouse benefit is the same as yours—$30, $50, or $75 a day. Children's benefits are $18, $30, or $45 a day.

Benefits are paid in full regardless of other health insurance benefits you receive. Cash benefits are paid directly to you and may be used for any purpose. This is extra cash protection to help you meet the financial burdens of accidents and illnesses.

All applying members, regardless of age, and their eligible dependents may be covered. As long as you pay your premium, you may keep your policy, regardless of prior benefits received or future health conditions. Rates will not be individually raised.

Repeat claims for the same or related causes will be treated as claims for the same cause (and included in a single 365-day limit), if recurring hospital stays are not separated by 6 months. Such claims will be covered only if the policy is then in force.

The policy contains a benefit restriction for pre-existing conditions—a condition for which medical advice or treatment was received during the 12 months before the effective date of your policy. Also, a pre-existing condition will not be covered until 12 consecutive months have passed in which no medical advice or treatment is received for such condition, or until your policy has been in effect for 1 year, whichever occurs first.



NALC

RETIREMENT MANUAL 6

FEDERAL EMPLOYEES' HEALTH BENEFITS

6 Federal Employees' Health Benefits

Letter carriers who wish to remain covered after retirement by the Federal Employees Health Benefits Program must be enrolled in an FEHBP plan for the five years prior to retirement. To continue spouse coverage, a retiree must elect a survivor annuity; see Chapter 8.

This chapter contains OPM website documents explaining the basics of FEHBP coverage in retirement.

Contents

A. Continuing FEHBP Coverage Into Retirement (FAQs)

B. Coverage for Annuitants (FAQs)

C. Continuation of Coverage (FAQs)

D. Coverage for Family Members (FAQs)

E. Coverage of Survivor Annuitants (FAQs)

F. FEHBP Coverage and Military TRICARE, CHAMPVA, and TRICARE-For-Life (coordination between FEHB coverage and these military health plans) (FAQs)

G. Table of Permissible Changes in FEHB Enrollment (outlines the various events that permit a letter carrier to change his or her enrollment, coverage plan, etc.)

H. Program Overview—The Federal Long Term Care Insurance Program

More Information

See the OPM website, www.opm.gov.

Federal Employees Health Benefits Program **Frequently Asked Questions**

Frequently Asked Questions About Continuing FEHB Coverage into Retirement

- I am going to retire soon. What are the requirements to continue health benefits into retirement?
- How would I get a waiver of the 5-year coverage requirement to continue health benefits into retirement?
- How will OPM verify that I am eligible to carry FEHB into retirement?
- I am currently in a health maintenance organization (HMO). I am retiring and will be moving to another state in the next few months. Will I be covered after I move?
- Will my premiums increase once I retire?
- I am working a part-time schedule and therefore my Government contribution is prorated. When I retire, will I
- After I retire, can I enroll in a family plan or do I have to be enrolled in a self-and-family plan for the five years before I retire?
- I recently retired but my spouse is a current Federal employee. I have carried our FEHB enrollment for the past several years and recently discovered that I can't take advantage of premium conversion as a retiree. If I cancel my FEHB enrollment to be covered by my spouse's FEHB enrollment, will I be able to enroll in a self-only enrollment in the future?

Q. I am going to retire soon. What are the requirements to continue health benefits into retirement?

A. To continue your health benefits enrollment into retirement, you must: (1) have retired on an immediate annuity (that is, an annuity which begins to accrue no later than one month after the date of your final separation); and (2) have been continuously enrolled (or covered as a family member) in any FEHB Program plan (not necessarily the same plan) for the five years of service immediately preceding retirement, or if less than five years, for all service since your first opportunity to enroll.

Q. How would I get a waiver of the 5-year coverage requirement to continue health benefits into retirement?

A. You must request a waiver of the five-year requirement from OPM. The steps you must take are given in the FEHB Handbook at http://www.opm.gov/insure/handbook/fehb22.asp - Waiver of 5-Year Enrollment Requirement. If your agency has buyout authority, you may not need to write to the OPM. If you think you might qualify for a waiver of the 5-year coverage requirement, contact your Human Resources Office for information. If you meet the requirements, your agency will attach a memorandum to your retirement application stating that you meet the requirements for waiver by the OPM.

Q. How will OPM verify that I am eligible to carry FEHB into retirement?

A. Your Human Resources Office will compile your health benefits records and forward them to OPM along with your retirement application and other records. OPM will review your health benefits records to determine if you are eligible to continue your FEHB enrollment into retirement. If you are eligible, OPM will process a transfer-in action and forward you a copy of this action for your records.

Q. I am currently in a health maintenance organization (HMO). I am retiring and will be moving to another state in the next few months. Will I be covered after I move?

A. You will be covered only for emergency care. Unless your HMO has a "reciprocity" agreement with a plan in your new area that allows you to get routine care, you must travel back to your HMO for care, or change plans. You can change plans anytime after moving; contact your retirement system.

Q. Will my premiums increase once I retire?

A. No, you will pay the same premium as you paid while you were an employee. However, annuitants are paid on a monthly basis so you will pay them at the monthly rate. You may see an increase if you are employed by an agency, such as the Post Office, that contributes additional money towards the total premium. Retirees receive the same government contribution as most Federal employees.

Q. I am working a part-time schedule and therefore my Government contribution is prorated. When I retire, will I continue to get the prorated Government contribution?

A. When you retire, you are entitled to the full government contribution.

Q. After I retire, can I enroll in a family plan or do I have to be enrolled in a self-and-family plan for the five years before I retire in order to continue it into?

A. No, you do not have to be enrolled in a family plan for the five years before you retire to meet the five-year requirement. As a retiree, you can enroll in a family plan during the open season or when an event occurs that permits a change to the family plan.

Q. I recently retired but my spouse is a current Federal employee. I have carried our FEHB enrollment for the past several years and recently discovered that I can't take advantage of premium conversion as a retiree. If I cancel my FEHB enrollment to be covered by my spouse's FEHB enrollment, will I be able to enroll in a self-only enrollment in the future?

A. Yes, you will be able to reenroll in the future because you are canceling your enrollment to be covered by another FEHB enrollment.

Other FEHB FAQs

- Active Duty Reservists
- Benefits
- Changing Health Plans
- Continuation of Coverage
- Coverage for Annuitants
- Coverage for Family Members
- Coverage for Survivor Annuitants
- Dental Coverage
- Divorce
- DoD/FEHB Demonstration Project
- Employee Express
- Enrollment
- FEHB Premiums
- Open Season
- Plan Information
- Premium Conversion
- Prescription Drugs
- Privacy of Medical Information
- Service Standards
- TRICARE or CHAMPVA

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Page modified January 7, 2003

Frequently Asked Questions About Coverage for Annuitants

- What do Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) retirees have to do to change health insurance coverage?
- I am an annuitant. I changed my health insurance in open season and have not received an identification card even though it is late January. What can I do?
- When will my open season change to the new coverage be effective?
- I am retired but my spouse is not. I want to drop out of the FEHB Program for a year or two because my spouse has good free coverage from her employer for the both of us. Will there be any penalty?
- Where can Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) annuitants get answers to other questions about retirement benefits?

To the Annuitants and Compensationers chapter of the FEHB Handbook

Q. What do Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) retirees have to do to change health insurance coverage?

A. During the annual open season, OPM sends open season material to all those enrolled in the FEHBP plus those who have suspended their enrollments to enroll in a Medicare-sponsored plan approved by the Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration (HCFA) and to enroll in TRICARE.

- OPM provides Open Season Express, an operator supported toll-free telephone service for retirees to call to request brochures, health benefits satisfaction surveys, and make enrollment changes using telephone technology. The phone number is 1 (800) 332-9798.
- OPM also provides an interactive Open Season Web site at http://www.opm.gov/retire/fehb.
- There are other events that allow retirees or their survivors to make enrollment changes -- such

as a move out of the service area of an HMO, enrollment in Medicare, or a change in marital status. These events are given in the FEHB Handbook http://www.opm.gov/insure/handbook/fehb00.asp. During the year, annuitants should call OPM on the toll-free number 1-888-767-6738, TDD for the hearing impaired 1-800-878-5707, or send e-mail to retire@opm.gov. Annuitants in the Washington DC local calling area should dial (202) 606-0500, or (202) 606-0551 for the hearing impaired.

Q. I am an annuitant. I changed my health insurance in open season and have not received an identification card even though it is late January. What can I do?

A. First, call your plan. If they tell you they haven't gotten the paperwork yet from your retirement system, you may contact your retirement system. If you are a Civil Service Retirement System (CSRS) annuitant or a Federal Employees Retirement System (FERS) annuitant, contact OPM at 1-888-767-6738. Before contacting your retirement system, have your annuity information ready: your name, civil service annuity number (beginning with CSA or CSF), phone number and address, and information about your plan, such as the carrier enrollment code.

Q. When will my open season change to the new coverage be effective? A.

A. Annuitant open season changes are effective January 1.

Q. I am retired but my spouse is not. I want to drop out of the FEHB Program for a year or two because my spouse has good free coverage from her employer for the both of us. Will there be any penalty? A.

A. Be careful. Such a cancellation would be permanent. Annuitants cannot re-enroll in the program except under very limited circumstances, such as to enroll in a Medicare-sponsored health plan, as described below, or TRICARE. Another exception is if your spouse is also a Federal employee and you cancel to be covered by your spouse's FEHB plan. Further, neither you nor your family members would be eligible for continued coverage nor would you be able to convert your coverage to a private non-group policy. Do not drop out of the program unless you are sure of being able to re-enroll.

Q. Where can Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) annuitants get answers to other questions about retirement benefits?

A

- OPM's Office of Retirement Programs Website at http://www.opm.gov/retire. The site provides various categories of information including the questions most frequently asked by annuitants and survivor annuitants.
- During the year, you may request information such as verification of annuity or the value of life insurance as well as make changes to your own retirement account, such as federal and state income tax withholding changes, by calling OPM on the toll-free number 1-888-767-6738, TDD for the hearing impaired 1-800-878-5707, or send e-mail to retire@opm.gov. The automated telephone system is available 24 hours a day, 7 days a week.

Other FEHB FAQs

Frequently Asked Questions About Continuation of Coverage

- What is Temporary Continuation of Coverage (TCC) and what are the requirements to enroll under the Temporary Continuation of Coverage provisions of the FEHB law?
- I am resigning from my Federal job, how do I enroll for TCC?
- Can my children get coverage when they reach age 22?
- What is the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and does it apply to persons with FEHBP coverage?
- Where can I get help with determining if I may be eligible for HIPAA health coverage protection?
- When I leave the FEHB Program, I understand I will get a certification that I had group coverage that I can use to get new coverage with my private industry employer. Will my agency or my plan certify my insurance coverage?

To the Temporary Continuation of Coverage chapter of the FEHB Handbook

To the Temporary Continuation of Coverage Booklet (RI 79-27, Dec. 2000)

Q. What is Temporary Continuation of Coverage (TCC) and what are the requirements to enroll under the Temporary Continuation of Coverage provisions of the FEHB law?

A. Temporary Continuation of Coverage (TCC) is available to: (1) employees who lose their FEHB Program coverage because they leave their Federal jobs, (2) children who lose their FEHB Program family member status because they become age 22 or marry, and (3) former spouses who lose their FEHB Program family member status because of divorce or annulment. TCC allows former employees to continue their FEHB Program coverage for up to 18 months, and former family members (children and former spouses) to continue

FEHB Program coverage for up to 36 months. For more information about TCC, please review the TCC pamphlet at www.opm.gov/insure/health/TCC.

Q. I am resigning from my Federal job, how do I enroll for TCC?

A. You must apply for Temporary Continuation of Coverage (TCC) with your agency Human Resources Office within 60 days from the date you separate from Federal service. TCC coverage becomes effective the day after the qualifying event. After your 31-day extension of your group coverage ends, you pay the full premium (the enrollee and Government shares) plus a 2 percent administrative fee. For more information, contact the agency Human Resources Office and review the TCC pamphlet at www.opm.gov/insure/health/TCC.

Q. Can my children get coverage when they reach age 22?

A. When children reach age 22, they are eligible to enroll in Temporary Continuation of Coverage (TCC). You contact your Human Resources Office and inform them that your child is turning age 22. It is not their responsibility to notify you. They will give you information about enrolling your child for TCC. You have 60 days from the 22nd birthday to notify your Human Resources Office that your child turned 22. Your child has 60 days from the later of (1) the 22nd birthday or (2) the date of the TCC notice from the Human Resources Office to request enrollment for TCC. For more information about TCC, please review the TCC coverage pamphlet at www.opm.gov/insure/health/TCC.

Q. What is the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and does it apply to persons with FEHBP coverage?

A. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) is a Federal law that provides far-reaching health insurance reforms and medical privacy protections for all Americans. Title I of HIPAA offers important, though limited, Federal protections that improve the availability and continuity of health coverage for workers and their families. Under certain conditions, this law guarantees the availability of new health coverage with no exclusions for pre-existing conditions for individuals who lose employment-based health coverage due to changes in employment or family status. The Departments of the Treasury, Labor, and Health and Human Services are jointly responsible for Federal rules concerning health insurance portability and accessibility requirements. However, since HIPAA gives enforcement authority to the individual states and allows states to impose more generous protections than those under HIPAA, a key source of information for individuals is your State Insurance Commissioner.

Q. Where can I get help with determining if I may be eligible for HIPAA health coverage protection?

A. The Centers for Medicare and Medicaid Services in the Department of Health and Human Services, offers two resources to help answer questions about HIPAA health insurance protections and individual eligibility. HIPAA OnLine is an interactive tool that provides information about HIPAA rights and protections based on the user's responses to

questions about personal health coverage and life events. There is also a booklet entitled Protecting Your Health Insurance Coverage (see "publications" link on web site). Both resources are available on the Internet at http://www.hcfa.gov/medicaid/hipaa/. Single copies of the booklet are also available on request from 1-800-MEDICARE (1-800-633-4227), or TTY/TDD, at 1-877-486-2048.

HIPAA OnLine also has direct links to Federal and State contacts for information about health coverage protections under HIPAA. An Internal Revenue Service publication entitled Deciding Whether to Elect COBRA Health Care Continuation Coverage After the Enactment of HIPAA is available on the IRS web site at http://www.irs.ustreas.gov/prod/news/index.html. As explained in OPM pamphlet RI 79-27, Temporary Continuation of Coverage (TCC) under the FEHB Program (p.1), Federal employees must exhaust any TCC eligibility (which corresponds to COBRA provisions for private sector employees) as one condition for guaranteed access to individual health coverage under HIPAA.

Q. When I leave the FEHB Program, I understand I will get a certification that I had group coverage that I can use to get new coverage with my private industry employer. Will my agency or my plan certify my insurance coverage?

A. We require FEHB carriers to issue certifications of prior coverage to enrollees. They issue certifications automatically whenever coverage terminates, whether it is termination of regular coverage, TCC coverage, or spouse equity coverage. If the plan does not certify your coverage, you should write to them and ask them to send you certification of coverage.

Other FEHB FAQs

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Frequently Asked Questions About Coverage for Family Members

- Who can be covered by my FEHB enrollment?
- I just had a baby. My coworker just adopted a child. Do either of us need to complete another SF 2809, Health Benefits Registration Form, to have our children covered?
- My child is in college. How long can my child stay covered under my enrollment?
- My child will be 22 years old this year but she is disabled and incapable of self support. Can I continue to cover her under my FEHB enrollment?
- Can I cover my common-law spouse under my self-and-family enrollment?
- Can my grandchild be covered by my plan?
- Is my partner eligible for coverage under my FEHB enrollment?
- My ex-spouse is a Federal employee. I have a court order that says that he has to provide health insurance coverage for our children. How can I make sure his health plan covers the children?
- My spouse got a court order requiring me to provide health insurance coverage for our children although I am already enrolled in a self and family plan. Do I have to do anything?

To the Family Members chapter of the FEHB Handbook

Q. Who can be covered by my FEHB enrollment?

A. FEHB Program coverage is available for the employee's current spouse and unmarried dependent children under age 22, including legally adopted children and recognized natural children born out of wedlock. Stepchildren and foster children (including grandchildren, if they qualify as foster children) are included if they live with the employee in a regular parent-child relationship. Also, an unmarried dependent child age 22 or over who is incapable of self support because of a mental or physical incapacity which existed before age 22 may qualify for coverage under certain conditions. You cannot cover other relatives, such as your mother, even if they are otherwise considered your dependents.

An employee's agency makes enrollment eligibility decisions in accordance with the law and

regulations. Ask your Human Resources Office for help in deciding whether your circumstances meet the requirements.

Q. I just had a baby. My coworker just adopted a child. Do either of us need to complete another SF 2809, Health Benefits Registration Form, to have our children covered?

A. How you acquire a child (e.g., birth or adoption) does not matter. If you have self-only enrollment, you each need to complete an enrollment form to change to a self-and-family enrollment within 60 days of the event. The self-and-family enrollment will be effective the first day of the pay period in which the child was born or adopted. If you already have a self-and-family enrollment, you do not need to complete a new form; in this case, contact your plan to let them know about the new family member.

Q. My child is in college. How long can my child stay covered under my enrollment?

A. Your child can be covered under your self-and-family enrollment until he or she marries or turns age 22. It does not matter whether he or she attends college.

Q. My child will be 22 years old this year but she is disabled and incapable of self support. Can I continue to cover her under my FEHB enrollment?

A. Your unmarried dependent child age 22 or over who is incapable of self-support because of a disability that existed before age 22 may be eligible for coverage under your FEHB enrollment. For more information, please see the FEHB Handbook for Enrollees and Employing Offices at http://www.opm.gov/insure/handbook/fehb29.asp

Q. Can I cover my common-law spouse under my self-and-family enrollment?

A. If the State in which you reside recognizes common-law marriages, yes.

Q. Can my grandchild be covered by my plan?

A. Your grandchild may be eligible for FEHB coverage if he or she meets the eligibility requirements for foster children. These requirements are:

- the child must be unmarried and under age 22 (if the child is over age 22, he/she must be incapable of self support);
- the child must live with you;
- the parent-child relationship must be with you, not the child's biological parent;
- you must be the primary source of financial support for the child; and
- you must expect to raise the child to adulthood.

For your grandchild to be covered under your FEHB enrollment, you must sign a certification stating that your grandchild meets all the requirements and that you will notify your employing office if the child marries, moves out of the home, or stops being financially dependent on you. You submit this certification to your employing office for their determination that your grandchild meets these requirements. Your employing office will then notify your FEHB plan that your grandchild should be added to your enrollment.

Q. Is my same-sex partner eligible for coverage under my FEHB enrollment?

A. No. The law defines family members as a spouse and an unmarried dependent child under age 22. Public Law 104-199, Defense of Marriage Act, states, " the word 'marriage' means only a legal union between one man and one woman as husband and wife, and the word 'spouse' refers only to a person of the opposite sex who is a husband or a wife."

Q. My ex-spouse is a Federal employee. I have a court order stating that he has to provide health insurance coverage for our children. How can I make sure his health plan covers the children?

A. The "Federal Employees Health Benefits Children's Equity Act of 2000" requires mandatory self and family enrollment coverage for FEHB-eligible employees who do not comply with a court or administrative order to provide health insurance coverage for their child (ren). You should send a copy of the court order to your spouse's Human Resources Office. They will ensure that your ex-spouse is enrolled in a self and family FEHB plan that provides coverage for the children.

If he is not enrolled in a self and family plan, his Human Resources Office will enroll him in the self and family plan of his current FEHB plan. If his current plan is an HMO and the child(ren) don't live within the service area of this plan, they will enroll him in the Basic Option of the Blue Cross and Blue Shield Service Benefit Plan. Please be sure to include your home address in your notification so that the Human Resources Office can make this determination.

The Human Resources Office will send you a copy of the SF 2809, Health Benefits Election Form. They will also send a copy to the FEHB plan so the plan can update their records and send ID cards to you. The Human Resources Office will flag your ex-spouse's health insurance records to prevent him from making a change to the self only plan for as long as the court order requires him to provide health insurance coverage to your child(ren) or until age 22, whichever occurs first.

Q. My spouse got a court order requiring me to provide health insurance coverage for our children although I am already enrolled in a self and family plan. Do I have to do anything?

A. Yes. You should still send a copy of the court order to your Human Resources Office to review and make a determination if any action is required. They will file the copy in your OPF and flag it so that they know a court order relating to health benefits has been filed. If your children aren't listed as family members on the SF 2809, they will send a copy of the court order to your FEHB plan.

Other FEHB FAQs

- Active Duty Reservists
- Benefits
- Changing Health Plans
- Continuation of Coverage
- Continuation of FEHB Coverage into Retirement
- Coverage for Annuitants
- Coverage for Survivor Annuitants
- Dental Coverage
- Divorce
- DoD/FEHB Demonstration Project
- Employee Express
- Enrollment
- FEHB Premiums
- Open Season
- Plan Information
- Premium Conversion
- Prescription Drugs
- Privacy of Medical Information
- Service Standards
- TRICARE or CHAMPVA

Frequently Asked Questions About Coverage for Survivor Annuitants

- If I die before my spouse, can she continue my FEHB coverage?
- I am a survivor annuitant. Can I change my FEHB plan?
- If I remarry, can I change to a self-and-family enrollment to cover my new spouse?
- I'm a single parent. Will my children be eligible for FEHB coverage if I should die?
- As a survivor annuitant, can my FEHB enrollment terminate for any reason?

Q. If I die before my spouse, can she continue my FEHB coverage?

A. If you should die while enrolled for Self and Family, all survivors who meet the definition of "family member" will automatically be able to continue your enrollment as long as any one of them receives a survivor annuity.

Some Federal Employees' Retirement System (FERS) survivors may be entitled to continue their health benefits enrollment even if they will not receive a monthly survivor annuity benefit. Widow(er)s who are entitled to receive the FERS Basic Employee Death Benefit and child survivors whose FERS survivor annuity benefits are reduced by the amount of any Social Security benefit payable may continue their health benefits enrollment by paying premiums directly to us, if they are entitled to continued health benefits coverage.

Q. I am a survivor annuitant. Can I change my FEHB plan?

A. Yes, you can request an enrollment change during the open season. You can make an enrollment change outside of the open season: if you moved out of the service area of your plan, when you become eligible for Medicare, and if your child loses health insurance coverage under another plan. These enrollment opportunities are listed in the RI 79-2, Information for Retirees and Survivor Annuitants, at http://www.opm.gov/insure/health/html/79-2/index.htm.

Q. If I remarry, can I change to a self-and-family enrollment to cover my new spouse?

A. No. If you remarry, your new spouse and his/her children cannot receive health benefits coverage under your survivor annuitant enrollment. If, however, you are a widow (er) survivor annuitant who is also receiving an annuity based on your own Federal career or who is a current Federal employee, you may be eligible to transfer your enrollment to your retirement annuity or your employing agency in order to provide coverage for your new spouse and his or her children.

Q. I'm a single parent. Will my children be eligible for FEHB coverage if I should die?

A. As long as one of the family members is entitled to a survivor annuity, the children are eligible for FEHB coverage until they marry, reach age 22, or no survivor is eligible for a survivor annuity. It is the child's responsibility to notify OPM if he/she marries before age 22. If the child's marriage ends before age 22, the child may again be eligible for coverage. Children over age 22 are eligible to continue FEHB coverage if disabled prior to age 22 and are incapable of self support. Contact OPM at 1-888-767-6738 for information about reenrollment.

Q. As a survivor annuitant, can my FEHB enrollment terminate for any reason?

A. If you remarry before age 55, your health benefits enrollment will end on the last day of the month preceding the month in which you remarry. However, if you were married for 30 years or more to the deceased employee or annuitant, your health benefits enrollment will continue. If you are enrolled in self-and-family coverage when your annuity ends, the enrollment will continue for any eligible children as long as one of them is entitled to receive a survivor annuity (but you will not be covered).

Other FEHB FAQs

- Active Duty Reservists
- Benefits
- Changing Health Plans
- Continuation of Coverage
- Continuation of FEHB Coverage into Retirement
- Coverage for Annuitants
- Coverage for Family Members
- Dental Coverage
- Divorce
- DoD/FEHB Demonstration Project
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- Prescription Drugs
- Privacy of Medical Information
- Service Standards
- TRICARE or CHAMPVA

Federal Employees Health Benefits Program **Frequently Asked Questions**

Frequently Asked Questions About OPM's Response to TRICARE, CHAMPVA, or TRICARE-For-Life

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- What is the Department of Defense's TRICARE-For-Life?
- What is the CHAMPVA program?
- What is OPM doing to help FEHB retirees and former spouses who are eligible for CHAMPVA, TRICARE or TRICARE-For-Life benefits?
- How can annuitants or former spouses suspend FEHB coverage to use CHAMPVA or TRICARE?
- After I complete my suspension form and submit all necessary documentation showing my eligibility for TRICARE or CHAMPVA, when will my suspension become effective?
- I'm eligible to enroll in TRICARE's Uniformed Services Family Health Plan. Can I suspend my FEHB coverage to use this program?
- After I suspend my FEHB coverage to use TRICARE or CHAMPVA instead, when can I reenroll in the FEHB Program?
- If an annuitant passes away during his or her suspended FEHB enrollment, will his or her survivor be eligible to reenroll in the FEHB Program?
- Can an annuitant, survivor, or former spouse suspend his or her own FEHB coverage while allowing family members to continue coverage under the FEHB Program?
- Can an annuitant, survivor, or former spouse suspend his or her family members' FEHB coverage while remaining covered under the FEHB program?
- What is the definition of a "former spouse" as used in the regulation that allows for the suspension of FEHB coverage for TRICARE or CHAMPVA?
- Can actively working civil service employees suspend their FEHB coverage to use CHAMPVA, TRICARE or TRICARE-for-Life?
- Are there things to consider before an employee cancels his/her FEHB coverage to use TRICARE or TRICARE-for-Life?
- Where can individuals go for more information about the TRICARE-For-Life program?

To the OPM CHAMPVA, TRICARE and TRICARE-For-Life Regulations

- Where can individuals go for more information about the CHAMPVA program?

Q. What is the Department of Defense's TRICARE-For-Life?

A. The National Defense Authorization Act for 2001 (Act) extended TRICARE pharmacy coverage to uniformed services Medicare eligible retirees, spouses, and survivors on April 1, 2001. Now uniformed services beneficiaries can get comprehensive prescription drug coverage through TRICARE's retail, mail order, or military treatment facility pharmacies. The Act also reinstated eligibility for TRICARE medical benefits for these beneficiaries on October 1, 2001. Beneficiaries with Medicare Parts A and B are now eligible to use TRICARE coverage for physician, hospital, surgical, and pharmaceutical services.

Q. What is the CHAMPVA program?

A. Public Law 107-14 provides beneficiaries over age 65 of the Department of Veterans Affairs (VA) with coverage secondary to Medicare under the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA). CHAMPVA provides similarly attractive benefits to VA eligible beneficiaries as those benefits provided to uniformed services beneficiaries under the TRICARE or new TRICARE-for-Life programs.

Q. What is OPM doing to help FEHB retirees and former spouses who are eligible for CHAMPVA, TRICARE or TRICARE-For-Life benefits?

A. We have published a final regulation that allows current FEHB annuitants and former spouses who are eligible for these programs to suspend their FEHB coverage and premium payments. The regulation allows these individuals to reenroll in the FEHB Program during the Open Season, or immediately if they are involuntarily disenrolled from the non-FEHB coverage.

Q. How can annuitants or former spouses suspend FEHB coverage to use TRICARE or CHAMPVA?

A. They can apply to suspend their coverage at any time. Annuitants can call OPM's Retirement Information Office at 1-888-767-6738 to obtain a suspension form. Callers within the local Washington, DC calling area must call 202-606-0500. Former spouses can get the form from the employing office or retirement system maintaining their enrollment. Eligible individuals must submit a completed suspension form and provide all necessary documentation to show eligibility for TRICARE or CHAMPVA during the period beginning 31 days before and ending 31 days after the date they designate as using TRICARE or CHAMPVA instead of FEHB coverage.

Q. After I complete my suspension form and submit all necessary documentation showing my eligibility for TRICARE or CHAMPVA, when will my suspension become effective?

A. If the documentation showing your eligibility for TRICARE is received within the period beginning 31 days before and ending 31 days after the date you designate as the day you want to use TRICARE or CHAMPVA instead of FEHB coverage, the suspension becomes effective at the end of the day before the day you designated. Otherwise, the suspension becomes effective at the end of the month in which we receive your documentation.

Q. I'm eligible to enroll in TRICARE's Uniformed Services Family Health Plan. Can I suspend my FEHB coverage to use this program?

A. Yes, if you are eligible for this TRICARE program, you can suspend your FEHB coverage.

Q. After I suspend my FEHB coverage to use TRICARE or CHAMPVA instead, when can I reenroll in the FEHB Program?

A. You can reenroll in the FEHB Program for any reason during a future Open Season. If you are involuntarily disenrolled from TRICARE or CHAMPVA, you are eligible to immediately reenroll in the FEHB Program. Your request to reenroll must be received within the period beginning 31 days before and ending 60 days after your TRICARE or CHAMPVA coverage ends. Otherwise, you must wait until Open Season.

Q. If an annuitant passes away during his or her suspended FEHB enrollment, will his or her survivor be eligible to reenroll in the FEHB Program?

A. As long as the annuitant was enrolled in Self and Family coverage when he/she suspended FEHB coverage and made arrangements to leave a survivor annuity, the survivor annuitant can reenroll in the FEHB Program under the same conditions as an annuitant.

Q. Can an annuitant, survivor, or former spouse suspend his or her own FEHB coverage while allowing family members to continue coverage under the FEHB Program?

A. No. If an annuitant, survivor, or former spouse suspends Self and Family coverage, the coverage of all family members is suspended as well.

Q. Can an annuitant, survivor, or former spouse suspend his or her family members' FEHB coverage while remaining covered under the FEHB program?

A. No. An annuitant, survivor, or former spouse can change to Self-Only coverage, but this cancels all family members' coverage and takes away their future enrollment eligibility.

Q. What is the definition of a "former spouse" as used in the regulation that allows for the suspension of FEHB coverage for TRICARE or CHAMPVA?

A. The former spouses that the regulation applies to are those of civilian Federal employees and annuitants as defined under the Civil Service Retirement Spouse Equity Act of 1984 (Public Law 98-615). The regulation does not apply to "unremarried former spouses" under TRICARE law (title 10 USC). See also the chapter on former spouses in the FEHB Handbook.

Q. Can actively working civil service employees suspend their FEHB coverage to use CHAMPVA, TRICARE or TRICARE-for-Life?

A. No. Employees may not suspend their coverage. However, they can cancel their coverage to use CHAMPVA, TRICARE or TRICARE-for-Life. Employees who do not participate in premium conversion may cancel their enrollment at any time. For employees who participate in premium conversion, eligibility for CHAMPVA or TRICARE is not a qualifying life event that would allow them to cancel their FEHB enrollment. These employees may cancel during any annual FEHB open season.

If an employee who canceled FEHB coverage to use CHAMPVA, TRICARE or TRICARE-for-Life decides to return to FEHB coverage, the employee can do so during a future open season. If the employee loses CHAMPVA, TRICARE or TRICARE-for-Life coverage involuntarily, the employee can immediately reenroll in the FEHB Program.

Q. Are there things to consider before an employee cancels his/her FEHB coverage to use TRICARE or TRICARE-for-Life.

A. Yes. There are a few things an employee should consider. First, to be eligible to continue FEHB coverage after retirement, a retiring employee must be enrolled or covered under the FEHB Program for the five years of service immediately before retirement, or, if less than five years, for all service since the first opportunity to enroll. Employees can count their coverage under TRICARE toward meeting this requirement. However, the employee must be enrolled in an FEHB health plan on the date of retirement to continue coverage.

Second, if the employee dies when the cancellation is in effect, any surviving spouse will not be eligible to continue FEHB health benefits coverage.

Q. Where can individuals go for more information about the TRICARE-For-Life program?

A. Information about the new TRICARE-For-Life program can be obtained by calling 1-888-DOD LIFE (1-888-363-5433) or by going to the TRICARE web site at http://www.tricare.osd.mil.

Q. Where can individuals go for more information about the CHAMPVA program?

A. Information about CHAMPVA can be obtained by calling 1-888-733-8387 or by going to the Department of Veterans Affairs web site at http://www.va.gov/hac.

Table of Permissible Changes in Enrollment for SF 2809

- 1. Employee
- 3. Former Spouse Under the Spouse Equity Provisions
- 4. Temporary Continuation of Coverage (TCC) for Eligible Former Employees, Former Spouses, and Children

(Enrollment May Be Cancelled or Changed From Family to Self Only at Any Time)

If you are a United States Postal Service employee, these rules may be different.
Consult your employing office or information provided by your agency.

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Events That Permit Enrollment or Change		***Change Permitted***			***Time Limits***
Code	*Event*	*From Not Enrolled to Enrolled*	*From Self Only to Self and Family*	*From One Plan or Option to Another*	*When You Must File Health Benefits Election Form With Your Employing Office*
1	**EMPLOYEE**				
1A	Initial opportunity to enroll.	Yes	N/A	N/A	Within 60 days after becoming eligible.
1B	Open Season.	Yes	Yes	Yes	As announced by OPM.
1C	Change in family status; for example: marriage, birth or death of family member, adoption, legal separation, or divorce.	Yes	Yes	Yes	From 31 days before through 60 days after event.

1D	Change in employment status; for example: • Reemployment after a break in service of more than three days; • Return to pay status following loss of coverage due to expiration of 365 days of LWOP status or termination of coverage during LWOP; • Return to pay sufficient to make withholdings after termination of coverage during a period of insufficient pay; • Restoration to civilian position after serving in uniformed services; • Change from temporary appointment to appointment that entitles employee receipt of Government contribution; • Change to or from part-time career employment.	Yes	Yes	Yes	Within 60 days of employment status change.
1E	Separation from Federal employment when the employee or employee's spouse is pregnant.	Yes	Yes	Yes	Enrollment or change must occur during final pay period of employment.
1F	Transfer from a post of duty within the United States to a post of duty outside the United States, or reverse.	Yes	Yes	Yes	From 31 days before leaving old post through 60 days after arriving at new post.
1G	Employee or eligible family member loses coverage under FEHB or another group insurance plan; for example: • Loss of coverage under another FEHB enrollment due to termination, cancellation, or change to self only of the covering enrollment; • Loss of coverage under another federally-sponsored health benefits program; • Loss of coverage due to termination of membership in the employee organization sponsoring the FEHB plan; • Loss of coverage under Medicaid or similar State-sponsored program; • Loss of coverage under a non-Federal health plan.	Yes	Yes	Yes	From 31 days before through 60 days after loss of coverage.

1H	Employee or eligible family member loses coverage due to the discontinuance, in whole or part, of an FEHB plan.	N/A	Yes	Yes	During open season, unless OPM sets a different time.
1I	Loss of coverage under a non-Federal group health plan because an employee moves out of the commuting area to accept another position and the employee's non-federally employed spouse terminates employment to accompany the employee.	Yes	Yes	Yes	From 31 days before the employee leaves the com-muting area through 180 days after arriving in the new commuting area.
1J	Employee or covered family member in a Health Maintenance Organization (HMO) moves or becomes employed outside the geographic area from which the carrier accepts enrollments, or if already outside the area, moves or becomes employed further from this area.	N/A	Yes	Yes	Upon notifying the employing office of the move or change of place of employment.
1K	On becoming eligible for Medicare (This change may be made only once in a lifetime.)	N/A	No	Yes	At any time beginning on the 30th day before becoming eligible for Medicare.
1L	Temporary employee completes one year of continuous service in accordance with 5 U.S.C. Section 8906a.	Yes	N/A	N/A	Within 60 days after becoming eligible.
1M	Salary of temporary employee insufficient to make withholdings for plan in which enrolled.	N/A	No	Yes	Within 60 days after receiving notice from employing office.
3	**FORMER SPOUSE UNDER THE SPOUSE EQUITY PROVISIONS**				
3A	Initial opportunity to enroll, Former spouse must be eligible to enroll under the authority of the Civil Service Retirement Spouse Equity Act of 1984 (P.L. 98-615), as amended, the Intelligence Authorization Act of 1986 (P.L. 99-569), or the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989 (P.L. 100-204).	Yes	N/A	N/A	Generally, must apply within 60 days after dissolution of marriage. However, if a retiring employee elects to provide a former spouse annuity or insurable interest annuity for the former spouse, the former spouse must apply within 60 days after OPM's notice of eligibility for FEHB. May enroll any time after employing office establishes eligibility.
3B	Open season.	No	Yes*	Yes	As announced by OPM.

* Former spouse may change to self and family only if family members are also eligible family members of the employee or annuitant.					
3C	Change in family status based on addition of family members who are also eligible family members of the employee or annuitant.	No	Yes	Yes	From 31 days before through 60 days after change in family status.
3D	Reenrollment of former spouse who cancelled FEHB enrollment to enroll in a Medicare sponsored Coordinated Care Plan (Medicare HMO), Medicaid, or similar State-sponsored program and who later was involuntarily disenrolled from the Medicare HMO, Medicaid, or similar State-sponsored program.	May Reenroll	N/A	N/A	From 31 days before through 60 days after disenrollment.
3E	Reenrollment of former spouse who cancelled FEHB enrollment to enroll in a Medicare-sponsored Coordinated Care Plan (Medicare HMO), Medicaid, or similar State-sponsored program and who later voluntarily disenrolls from the Medicare-sponsored Coordinated Care Plan (Medicare HMO), Medicaid, or similar State-sponsored program.	May Reenroll	N/A	N/A	During open season.
3F	Former spouse or eligible child loses FEHB coverage due to termination, cancellation, or change to self only of the covering enrollment.	Yes	Yes	Yes	From 31 days before through 60 days after date of loss of coverage.
3G	Enrolled former spouse or eligible child loses coverage under another group insurance plan; for example: • Loss of coverage under another federally-sponsored health benefits program; • Loss of coverage due to termination of membership in the employee organization sponsoring the FEHB plan; • Loss of coverage under Medicaid or similar State-sponsored program (but see 3D and 3E); • Loss of coverage under a non-Federal health plan.	N/A	Yes	Yes	From 31 days before through 60 days after loss of coverage.
3H	Former spouse or eligible family member loses coverage due to the discontinuance, in whole or part, of an FEHB plan.	N/A	Yes	Yes	During open season, unless OPM sets a different time.

3I	Former spouse or covered family member in a Health Maintenance Organization (HMO) moves or becomes employed outside the geographic area from which the carrier accepts enrollments, or if already outside this area, moves or becomes employed further from this area.	N/A	Yes	Yes	Upon notifying the employing office of the move or change of place of employment.
3J	On becoming eligible for Medicare (This change may be made only once in a lifetime.)	N/A	No	Yes	At any time beginning the 30th day before becoming eligible for Medicare.
3K	Former spouse's annuity is insufficient to make FEHB withholdings for plan in which enrolled.	No	No	Yes	Retirement System will advise former spouse of options.
4	**TEMPORARY CONTINUATION OF COVERAGE (TCC) FOR ELIGIBLE FORMER EMPLOYEES, FORMER SPOUSES, AND CHILDREN.**				
4A	Opportunity to enroll for continued coverage under TCC provisions: • Former employee • Former spouse • Child who ceases to qualify as a family member	 Yes Yes Yes	 Yes N/A N/A	 Yes N/A N/A	Within 60 days after the qualifying event, or receiving notice of eligibility, which-ever is later.
4B	Open season: • Former employee • Former spouse • Child who ceases to qualify as a family member	 No No No	 Yes Yes* Yes	 Yes Yes Yes	As announced by OPM.
* Former spouse may change to self and family only if family members are also eligible family members of the employee or annuitant.					
4C	Change in family status (except former spouse); for example, marriage, birth or death of family member, adoption, legal separation, or divorce.	No	Yes	Yes	From 31 days before through 60 days after event.
4D	Change in family status of former spouse, based on addition of family members who are eligible family members of the employee or annuitant.	No	Yes	Yes	From 31 days before through 60 days after event.
4E	Reenrollment of a former employee, former spouse, or child whose TCC enrollment was terminated because of other FEHB coverage and who loses the other FEHB coverage before the TCC period of eligibility (18 or 36 months) expires.	May Reenroll	N/A	N/A	From 31 days before through 60 days after the event. Enrollment is retroactive to the date of the loss of the other FEHB coverage.

4F	Enrollee or eligible family member loses coverage under FEHB or another group insurance plan; for example: • Loss of coverage under another FEHB enrollment due to termination, cancellation, or change to self only of the covering enrollment (but see event 4E); • Loss of coverage under another federally-sponsored health benefits program; • Loss of coverage due to termination of membership in the employee organization sponsoring the FEHB plan; • Loss of coverage under Medicaid or similar State-sponsored program; • Loss of coverage under a non-Federal health plan.	No	Yes	Yes	From 31 days before through 60 days after loss of coverage.
4G	Enrollee or eligible family member loses coverage due to the discontinuance, in whole or part, of an FEHB plan.	N/A	Yes	Yes	During open season, unless OPM sets a different time.
4H	Enrollee or covered family member in a Health Maintenance Organization (HMO) moves or becomes employed outside the geographic area from which the carrier accepts enrollments, or if already outside this area, moves or becomes employed further from this area.	N/A	Yes	Yes	Upon notifying the employing office of the move or change of place of employment.
4I	On becoming eligible for Medicare. (This change may be made only once a lifetime.)	N/A	No	Yes	At any time beginning on the 30th day before becoming eligible for Medicare.

page: 1

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The Federal Long Term Care Insurance Program

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PROGRAM OVERVIEW

The Federal Long Term Care Insurance Program

- What You Should Know About Long Term Care
- Program Highlights
- How to Get More Information

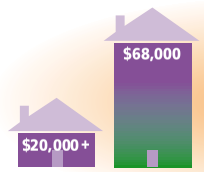
"Once you've read this overview, I encourage you to request more information on this important Program!"

Kay Coles James
Director, U.S. Office of Personnel Management

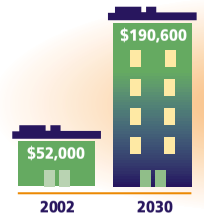
Get Smart

What Is Long Term Care?

Long term care is *ongoing* care for people who need lengthy or even lifelong assistance with daily living due to an illness, injury, or severe cognitive impairment (such as Alzheimer's disease). It may surprise you that the majority of long term care is provided at home. And, long term care can be expensive. In fact, it could be the most expensive type of care you'll ever face.



The average annual cost for home care is well over $20,000. That's $18/hour,[1] five hours per day, five days a week for a home health aide. That cost is expected to climb to $68,000 by 2030.[2]



The national average annual cost for care in a nursing home is $52,000 for a semi-private room.[1] That cost is expected to climb to $190,600 by 2030.[2]

These expenses are not covered by traditional medical insurance plans or disability income insurance. Most health care programs, including the FEHB Program, TRICARE, and TRICARE For Life, cover very few long term care expenses, if any! While Medicare covers some care in nursing homes and at home, it does so only for a limited time, subject to restrictions. The Department of Veterans Affairs provides limited long term care services with restrictions on who can receive them. And Medicaid, the government program to help those who meet their state's poverty guidelines, won't kick in until virtually all of a person's assets – and his/her spouse's assets – have been depleted.

Created Exclusively for Members of the Federal Family...

The Federal Long Term Care Insurance Program

The Federal Long Term Care Insurance Program can help protect you from the potentially high cost of long term care. What's more, it's coverage you can count on. That's because it's sponsored by the U.S. Office of Personnel Management. The Federal Long Term Care Insurance Program reflects the long and careful efforts of OPM and two insurance leaders – John Hancock and MetLife – to provide comprehensive benefits and group premiums that can help ensure your independence. John Hancock and MetLife have been offering long term care insurance for 15 years and have a long history of rate stability. Program advantages include: OPM oversight, competitive group premiums, an expansive home care benefit that includes informal care, and innovative inflation options.

No other plan has OPM oversight or sponsorship.

[1] MetLife Market Survey of Nursing Home and Home Care Costs, April 2002.

[2] *Can Aging Baby Boomers Avoid the Nursing Home?*, Stucki, B., and Mulvey, J., American Council of Life Insurers, March 2000, page 15.

The Federal Long Term Care Insurance Program

Program Highlights

Who Is Eligible to Apply

- Federal and U.S. Postal Service employees and annuitants
- Active and retired members of the uniformed services

Qualified Relatives —

- Current spouses and adult children (at least 18 years old, including adopted children and stepchildren) of living members of the groups above
- Parents, parents-in-law and stepparents of living Federal and U.S. Postal Service employees and living members of the uniformed services
- Surviving spouses receiving a survivor annuity

Covered Services Include

Home Care and Adult Day Care — Care provided at home by a nurse, home health aide, therapist or other authorized provider, as well as adult day care. Benefits are reimbursed up to 75% of the Daily Benefit Amount (DBA). Informal care is also covered. See column 3 for details. (Home care is only available with the Comprehensive plans.)

Facility Care — All levels of nursing home care are covered, including skilled, intermediate, and custodial care. Includes assisted living facility care, and hospice care (whether at home or in a hospice facility). Benefits are reimbursed up to 100% of the DBA.

You Choose These Plan Features

Plan Design

Choice of these two options:

- **Comprehensive Plan** covers care at home, in adult day care centers, in assisted living facilities, in nursing homes and hospice care.
- **Facilities Only Plan** covers care in assisted living facilities, nursing homes and inpatient hospice care.

Maximum Benefit Amount

- **Daily Benefit Amount –** Choose your Daily Benefit Amount (DBA): $50 - $300 in $25 increments.
- **Weekly Benefit Amount –** You can choose to have your benefits reimbursed on a weekly basis (7 times your DBA) for greater flexibility.

Benefit Period

Choice of 3 years, 5 years, or unlimited

Waiting Period

Choice of 30 days or 90 days

Inflation Protection

Choice of these two options:

- **The Automatic Compound Inflation Option** automatically increases your DBA by 5% compounded every year with NO corresponding increase in your premium.
- **The Future Purchase Option** lets you increase your DBA every two years based on increases in the Medical Consumer Price Index. Your premium will increase each time you buy additional coverage.

Built-In Plan Features

Informal Care — Unlike many other plans, the Federal Long Term Care Insurance Program covers care provided in the home by friends, family members, and other non-licensed caregivers who didn't normally live in your home at the time you became eligible for benefits. When informal care is provided by family members, it is covered for up to 365 days in your lifetime.

Care Coordination Services — Our long term care coordinators (all registered nurses) can arrange for discounted services, monitor the care you're receiving, and assist with altering your plan of care as your needs change. Access to care coordination services is available for you and your qualified relatives once you are enrolled.

Alternate Plan of Care — Under certain circumstances, our long term care coordinators can authorize benefits for services that are not specifically covered under this Program (for example, making your home wheelchair-accessible). These services must meet your needs and may be a cost-effective alternative to covered plan services.

International Benefits — This Program provides coverage for those who may require care in a country outside the U.S.

Waiver of Premium — You do not pay premiums while you are receiving benefits.

Guaranteed Renewable — We will not cancel your coverage as long as you pay your premiums on time. We cannot cancel it due to your individual age or a change in your health. We can only change your premium with OPM's approval on a group, not an individual, basis.

Competitive Group Premiums — Thanks to negotiations on your behalf by OPM, you are entitled to the competitive group premiums of the Federal Long Term Care Insurance Program.

Get Smart

Find out more about the Federal Long Term Care Insurance Program!

Call 1-800-LTC-FEDS
(1-800-582-3337)
(TTY: 1-800-843-3557)
or visit our web site at
www.LTCFEDS.com

Also...
Be sure to tell your eligible family members about the Federal Long Term Care Insurance Program!

The Federal Long Term Care Insurance Program

Sponsored by the U.S. Office of Personnel Management and Offered by John Hancock and MetLife

The Federal Long Term Care Insurance Program is administered by Long Term Care Partners, LLC, and offered by:
John Hancock Life Insurance Company, Boston, MA 02117
Metropolitan Life Insurance Company, New York, NY 10010

John Hancock MetLife

Group Policy Numbers: 900-001;900-002

NALC

RETIREMENT MANUAL

7

GROUP LIFE INSURANCE—FEGLI

7 Group Life Insurance—FEGLI

All postal employees automatically receive basic life coverage from the Federal Employees' Group Life Insurance (FEGLI) program. In addition, employees may elect other options for increased coverage and may continue their life insurance coverage into retirement. This chapter explains the basics of FEGLI coverage.

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A. FEGLI Information for Retirees and their Families

B. FEGLI Premiums for Annuitants—Charts

C. Table of Basic Insurance Amounts (based on annual pay)

More Information

See OPM's website at http://www.opm.gov/insure.

Information for Retirees and Their Families

Pamphlet RI 76-12

This pamphlet contains important information for retired Federal employees about rights and benefits as an annuitant under the Federal Employees Group Life Insurance Program. This pamphlet is not a contract of insurance. It summarizes the benefits payable; who receives the benefits; how to submit a claim; and other provisions of the Program. Refer to it when you (or your family) have questions about Federal life insurance.

The premiums and age ranges in the web page version of this pamphlet are those effective January 2004. The premiums and age ranges in the PDF version of the pamphlet are those which were in effect in May of 2000 when the paper version was published.

- Contacting Us
- General Information about the Federal Group Life Insurance Program
  - Requirements for Continuing Life Insurance Coverage into Retirement
  - If You Were Not Eligible to Continue Life Insurance as a Retiree
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  - The Cost of Your Coverage
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- How to Change Your Life Insurance Coverage After Retirement
- Termination of Life Insurance
- Reemployment in the Federal Service
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- Who Receives Your Basic Life, Option A - Standard, and Option B - Additional Insurance Benefits
  - How to Designate a Beneficiary
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  - How to File a Claim for Option C - Family Insurance Benefits
- Living Benefits
- Irrevocable Assignment of Life Insurance
- Information for Compensationers

Download a PDF Version of This Pamphlet (240K file)

Note: The premiums and age ranges in the PDF version of the pamphlet are those which were in effect in May of 2000 when the paper version was published. The premiums and age ranges in the web page version of this pamphlet are those effective January 2004.

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Information for Retirees and Their Families

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Contacting Us

We encourage you to call us when you want to discuss your own life insurance or the life insurance program in general. Our Retirement Information Office is staffed with Customer Service Specialists trained to provide information and assistance to you in a wide variety of situations. You can request many of the services you need by telephone. This includes mailing and payment address changes.

To reach the Retirement Information Office, call 1-888-767-6738. With the exception of Federal holidays and weekends, this office is open from 7:30 a.m. to 7:45 p.m. Eastern time, Monday through Friday. Annuitants with hearing impairments who have TDD equipment should call 1-800-878-5707. If you are calling within the local Washington, DC, area, dial 202-606-0500. To use TDD equipment on local calls, dial 202-606-0551.

When you call, you will be greeted by an automatic answering system which will guide you through a menu that lists the topics our customers call about most frequently. This system allows you to record requests for services (such as asking for forms you need or reporting a death — features that are available even after business hours). ***If you call during our business hours, you will have the opportunity to speak to a Customer Service Specialist.***

To authorize changes to your life insurance coverage, you will need to write to us. We need your written instructions so that if there is any question about your life insurance after your death, we will have your intentions documented.

Whether you call for information or write, be sure to give us your civil service claim number (CSA number). This number is shown on your identification card and on all correspondence from us. If you write, please give us your full name and your date of birth or your social security number as well as your claim number.

If someone writes on your behalf, we still must have ***your signature*** in order to provide information about your life insurance coverage. Unless you have assigned your coverage, ***you*** are the only person with the ability to cancel or decrease your life insurance coverage or designate a beneficiary. These are your personal rights under the Federal Employees' Group Life Insurance Program.

If you become mentally incompetent, no one can make any change in your life insurance. Our policy in this area is designed to protect the annuitant's entitlement to the life insurance benefit. Actions that cannot be undone by the annuitant if he or she regains competence, or actions that can be made in favor of another person to the detriment of the annuitant, are the annuitant's personal rights that may not be exercised by court-appointed guardians or others.

If the life insurance has been assigned, these rights extend to the assignee (the person who owns the life insurance).

Address your correspondence about life insurance to:

U.S. Office of Personnel Management
Retirement Operations Center

P.O. Box 45
Boyers, PA 16017-0045

Note to employees:
This pamphlet is written for retired persons. Because the U.S. Office of Personnel Management (OPM) does not have access to employees' personnel records, employees need to contact their agency human resources offices for assistance and specific information about insurance.

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Information for Retirees and Their Families

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General Information about the Federal Employees' Group Life Insurance Program

The Federal Employees' Group Life Insurance Program provides insurance which builds no cash value; it is intended to provide a cash payment after your death. You ***cannot*** borrow against your Federal life insurance benefit.

Requirements for Continuing Life Insurance Coverage into Retirement

Your Basic Life, Option A - Standard, Option B - Additional, and Option C - Family insurance coverages (depending on what coverage you may have) are continued into retirement if:

1. you retired on an immediate annuity (one which began within a month after you separated), and
2. you were insured for the five years of service immediately before your annuity commencing date or for the entire period(s) during which the coverages were available to you, and
3. you elected to continue your coverage, and
4. you did not convert your life insurance to an individual policy.

Note that under the Federal Employees' Retirement System, an immediate annuity includes eligibility for an annuity if you separate at the minimum retirement age and have 10 years of service. If you meet the requirements above, you may continue your life insurance coverage as a retiree even if you choose to postpone receipt of your annuity. If you do choose to postpone receiving your annuity, your coverage stops until the date your annuity begins. If you want to continue the coverage you had when you separated, it will resume when your monthly payments begin, even if you convert your life insurance to an individual policy upon your separation for retirement.

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General Information About FEGLI (Continued)

If You Were Not Eligible to Continue Life Insurance as a Retiree

If your coverage did not continue into retirement, it ended when you separated for retirement (or at the end of 12 months non-pay status if you were in a non-pay status before your separation), subject to the 31-day temporary extension of coverage. This 31-day extension of your life insurance coverage (excluding accidental death and dismemberment insurance) is automatic. If you were not eligible to (or did not want to) continue life insurance coverage as a retiree, you had the opportunity to convert to an individual policy. Generally, to have continuous insurance protection, you had to apply for the individual policy and pay the first premium to the insurance company within the 31-day temporary extension of coverage period.

Time Limit on Converting to an Individual Policy

To convert to an individual policy, you must have applied by following the instructions on Standard Form 2819, *Notice of Conversion Privilege*, within 31 days after your insurance as an employee ended or within 31 days after receiving the notice, whichever gave you more time. If we terminated your insurance after you retired, you must have applied within 31 days of the date you received Form RI 76-1, *You Cannot Continue Your Basic Life Insurance*, or Form RI 76-6, *You Cannot Continue Your Optional Life Insurance*, from the U.S. Office of Personnel Management (OPM). After the 31-day temporary extension of coverage period expired, you no longer had Federal life insurance protection.

If you were unable to convert to an individual policy within the 31-day time limit for reasons beyond your control or you never received a notice, you may make a belated request by writing directly to:

Office of Federal Employees' Group Life Insurance
P. O. Box 2627
Jersey City, NJ 07303-2627

You must mail your belated request within 6 months after you first became eligible to convert to an individual policy. You should provide a full explanation of the cause beyond your control that prevented you from making a timely request. The Office of Federal Employees' Group Life Insurance will determine if you are eligible to convert.

The Cost of Your Coverage

You can determine the exact cost of your coverage from the discussions below. If you are receiving annuity payments, we withhold your life insurance premiums from your annuity. Effective October 30, 1998, all retirees may pay the premiums directly to us if their annuity is too low to cover the cost of the coverage. We will notify you if your monthly annuity is too low to cover the cost of the life insurance coverage and will give you the opportunity to make direct payment. Once you elect to make direct payment, you must continue to make payments as long as you are eligible for continued enrollment in the Program, even if your monthly annuity increases to the point where we could deduct your life insurance premiums from your annuity. The direct pay

option is not available to Civil Service Retirement System retirees whose annuities were too low to cover the cost of their life insurance before October 30, 1998.

Note: The monthly premium rates shown in this pamphlet are correct as of the date of publication, but are subject to change.

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General Information About FEGLI (Continued)

Basic Life Insurance

The amount of your Basic life insurance *(formerly known as "Regular insurance")* is determined by (1) your annual rate of basic pay in effect when you separated for retirement or (2) the annual rate of basic pay in effect at the expiration of 12 months in non-pay status, if this occurred before you separated.

Generally, the annual basic pay rate (if not an even thousand) is rounded to the next higher thousand, plus $2,000 to arrive at the basic insurance amount, or ***face value***, of your Basic life insurance. For example, if your basic pay at separation was $27,500, your Basic life insurance amount at retirement is $30,000. Also, if you die before age 45, the amount of your Basic life insurance is increased by a multiplication factor based on your age. This extra benefit is not included in the face value of your Basic life insurance.

Note: Accidental death and dismemberment insurance stops at retirement.

Items 1, 2, and 3 below discuss how to determine the cost of Basic life insurance and the amount, if any, by which your coverage will reduce after you reach age 65.

1. If you separated for retirement ***before*** December 9, 1980, your Basic life insurance will begin to reduce by 2% of the face value each month beginning with the second month after the date you are 65 or the second month after you retire, whichever is later. This reduction continues until your Basic life insurance reaches 25% of the face value. This is a 75% reduction. For example, if, after you are retired, your 65th birthday occurred in October 1995, your life insurance remained at the full face value through November 30, 1995. The insurance began to reduce by 2 % of the face value per month effective December 1, 1995; by another 2% on January 1, 1996; and so on until January 1, 1999, when your life insurance reached 25% of the face value. This coverage is ***free***.

2. If you separated for retirement ***on or after*** December 9, 1980, and ***before*** January 1, 1990, you elected one of the following reduction schedules for your Basic life insurance:

    a. ***75% Reduction*** - If you elected this reduction schedule, your Basic life insurance will begin to reduce by 2% of the face value each month beginning with the second month after the date you are 65 or the second month after you retire, whichever is later. This reduction continues until your Basic life insurance reaches 25% of the face value, as explained above for pre-December 9, 1980, retirees. This coverage is ***free***.

    b. ***50% Reduction*** - If you elected this reduction schedule, your Basic life insurance will begin to reduce by 1% of the face value each month beginning with the second month after the date you are 65 or the second month after you retire, whichever is later. This reduction continues until your Basic life insurance reaches 50% of the face value. We withhold premiums for this coverage after age 65 (or retirement, if later) from your annuity beginning at retirement and continuing for life. The monthly premium is $.60 per month per $1,000 of the ***full face value*** of the Basic life insurance in effect at retirement. These premiums are not reduced when the Basic life insurance

amount begins to reduce (at age 65, or retirement, whichever occurs later).

c. ***No Reduction*** - If you elected this reduction schedule, the full amount of your Basic life insurance remains in force after you reach age 65. We withhold premiums for this additional coverage from your annuity beginning at retirement and continuing for life. The monthly premium is $1.83 per month per $1,000 of the ***full face value*** of the Basic life insurance in effect at retirement.

3. If you separate for retirement ***after*** December 31, 1989, you must elect one of the three reduction schedules described in Item 2 above when you retire. Regardless of which reduction schedule you elect, if you separate before age 65, until you are 65 you must also pay the same premium as employees for the Basic life insurance you continue into retirement. The monthly premium is $0.3250 for each $1,000 of the Basic life insurance in effect at retirement. ***This premium is in addition to the premium required if you elect either 50% or No Reduction as discussed in Item 2.*** See the example below. We will stop withholding the monthly premium for Basic life insurance (but will continue to withhold for the 50% or No Reduction schedule you elected) from your annuity the first of the month after you are 65.

   Example: If you are under age 65 and separate for retirement after December 31, 1989, and you:

   a. have Basic life insurance of $29,000 and

   b. elect the 50% Reduction, your monthly premium for continuing Basic life insurance into retirement is $9.43 (29 x $0.3250) and the monthly premium for electing the 50% Reduction is $17.40 (29 x $0.60). We will withhold the $9.43 premium for continuing your Basic life insurance into retirement through the end of the month in which you are 65. However, we will withhold premiums for the 50% Reduction (or No Reduction, if elected) from your annuity as long as you live, unless you cancel your election.

If you elected 50% or No Reduction, you can cancel that election at any time, unless you have assigned your insurance. If you cancel your election, your Basic life insurance will be subject to 75% Reduction.

The amount of your insurance will be the same as though you had elected 75% Reduction when you retired. Note that you cannot change your election from No Reduction to 50% Reduction. If you cancel your election, you will not be entitled to a refund of the premiums we have withheld from your annuity. A cancellation will be effective the end of the month in which we receive your request. For example, if we receive your request to cancel your 50% Reduction in Basic life insurance in May, the cancellation will be effective June 1 and the payment you receive on July 1 (covering your annuity and insurance premiums for the month of June) will be the first payment without a withholding for the 50% Reduction.

The following chart shows the cost of Basic life insurance and the various reductions for persons who retired after December 31, 1989:

Election	Monthly Cost per $1,000 of Basic Life insurance	
	Until the Month after your 65th Birthday	Starting the Month after your 65th Birthday
75% Reduction	$ 0.325	Free
50% Reduction	$ 0.925	$ 0.60
No Reduction	$2.155	$1.83
These rates were effective on the first pay period that started on or after January 1, 2003. They are subject to change.		

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Office of Personnel Management
The Federal Government's Human Resources Agency

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Working for America

Federal Employees' Group Life Insurance Program Information for Retirees and Their Families

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General Information About FEGLI (Continued)

Option A - Standard Insurance

The amount of Option A - Standard insurance (formerly known as "Optional insurance") is $10,000 at retirement. If you retired before October 30, 1998, your Option A insurance may have been higher than $10,000. If you have this coverage, it will begin to reduce by 2% per month ($200) beginning the second month after you are 65 or the second month after you retire, whichever is later, until it reaches 25% of the face value ($2,500). We will withhold premiums for Option A insurance from your annuity through the end of the month in which you are 65, unless you elect to cancel this coverage. You cannot cancel your insurance if you have assigned it. The cost of Option A insurance depends on your age. The premiums increase depending on your age group until you are 65, as shown in the following table:

Age Group	Monthly Premium
Under age 35	$.65
Age 35 through 39	.87
Age 40 through 44	1.30
Age 45 through 49	1.95
Age 50 through 54	3.03
Age 55 through 59	5.85
Age 60 through 64	13.00
Age 65 and Over	No Cost

These rates are subject to change.

When you go from one age group to the next, your premiums will increase at the beginning of the month after your birthday. The increased premium will be reflected in the next payment. For example, if you are 60 in May, your monthly premium for Option A insurance would increase from $5.85 to $13.00 effective June 1. This increased premium would be reflected in your payment dated July 1, which overs your annuity and insurance premiums for the month of June.

We will stop withholding the monthly premium from your annuity the first of the month after you are 65. For example, if you reach age 65 in May, premiums for Option A insurance will stop June 1. This will be shown in your payment dated July 1, covering your annuity and insurance premiums for the month of June.

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General Information About FEGLI (Continued)

Option B - Additional Insurance

Option B - Additional insurance was first available to active Federal employees in April 1981. This coverage was not available to anyone who retired before April 1981. The amount of coverage is determined by multiplying your final annual basic pay rate by the number of Option B multiples that were in effect for the five years of service immediately before your retirement or the entire periods of service during which these multiples were available to you, if less than five years. It is possible to have as many as 5 multiples. (Before multiplying, the basic pay is rounded to the next higher thousand if it is not an even thousand.)

For example, if the number of multiples in effect for the five years of service before your retirement was 3 and your final basic salary rate was $27,500, the amount of your Option B insurance at retirement is $84,000 (3 x $28,000).

If you separated for retirement on or after April 24, 1999, and were eligible to continue Option B insurance in retirement, your agency asked you to elect how many of your Option B multiples would continue in retirement and whether — at age 65 — multiples will continue at their full value or will gradually reduce to zero.

We will give all annuitants who are eligible to make an election regarding the reduction of Option B a second opportunity to make this election. Those who are 65 or older at retirement will hear from us when we are processing their retirement applications. We will contact annuitants who retired before age 65 shortly before their 65th birthday. At that time, the annuitant may elect either Full Reduction or No Reduction for each separate multiple of Option B. For example, a person with five multiples may elect No Reduction on two multiples, while the three remaining multiples reduce fully.

If you elect Full Reduction or if you separated for retirement before April 24, 1999, effective the first day of the second month after you reach age 65 or the first day of the second month after you retire, whichever is later, your Option B full-reduction multiples will reduce by 2% of the face value per month for 50 months, at which time this coverage will end. We will withhold premiums for this coverage from your annuity through the month in which you reach age 65.

If you elect to continue some or all of your Option B multiples with No Reduction, when you are 65 or at retirement, whichever is later, we will adjust the withholding for your Option B coverage to reflect the number of multiples you decided to retain at no reduction. Any other multiples will start to reduce as described above.

You can cancel or reduce the number of multiples at any time, unless you have assigned your insurance. The cost of Option B insurance depends on your age, the amount of insurance in effect when you retired, and the reduction you elect, as shown in the following table:

Age Group	Monthly Withholding per $1,000 of Insurance

Under age 35	$.065
Age 35 through 39	.087
Age 40 through 44	.130
Age 45 through 49	.195
Age 50 through 54	.303
Age 55 through 59	.607
Age 60 through 64	1.30
Age 65 and Over	No cost if you elected full reduction for Option B. See the chart below if you elected No Reduction for Option B.
These rates were effective on the first pay period that started on or after January 1, 2003. They are subject to change.	

The following premiums are for those persons who elected No Reduction for Option B. They reflect the phase in of the new Option B age bands over a three year period.

Age Group	**Monthly Withholding per $1,000 of Insurance**		
	January 2003	**January 2004**	**January 2005**
Age 65 through 69	$1.538	$1.538	$1.56
Age 70 through 74	$1.885	$2.232	$2.60
Age 75 through 79	$2.318	$3.098	$3.90
Age 80 and over	$2.752	$3.965	$5.20

When you go from one age group to the next, your premiums will increase at the beginning of the month after your birthday. The increased premium will be reflected in the next payment. For example, if you are 60 in May and the full amount of your Option B insurance was $84,000 at retirement, your monthly premium for this benefit would increase from $50.99 (84 x $.607) to $109.20 (84 x $1.30) effective June 1. This increased premium would be reflected in your payment dated July 1, which covers your annuity and insurance premiums for the month of June.

If you elect to have some or all Option B multiples reduce, we will stop withholding the monthly premium for the multiples that are to reduce the first of the month after you are 65. For example, if you reach age 65 in May, premiums for Option B - Additional insurance multiples that reduce will stop June 1. This will be shown in your payment dated July 1, covering your annuity and insurance premiums for the month of June.

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General Information About FEGLI (Continued)

Option C - Family Insurance

Option C - Family insurance first became available to active Federal employees in April 1981. This coverage was not available to anyone who retired before April 1981. If you separated for retirement before April 24, 1999, and have Option C insurance, the amount of insurance is $5,000 upon the death of a spouse and $2,500 upon the death of an eligible child.

The life insurance open enrollment period - April 24 through June 30, 1999 - was the first opportunity for most employees to elect up to five multiples of Option C insurance coverage. Employees who had a "life event," such as marriage, the birth of a child, etc., that occurred on or after October 30, 1998, were eligible to increase the amount of family coverage. The effective date of that election was the pay period that included April 24, 1999. The open enrollment period also permitted employees who had not had a life event to elect additional multiples of Option C. This increased coverage not due to a life event is effective on April 23, 2000, provided the employee was in a pay and duty status on that date. These election opportunities were not available to retirees.

The amount of insurance is determined by the number of Option C multiples that were in effect for the five years of service immediately before your retirement, or the entire periods of service during which this coverage was available to you, if less than five years.

To figure the amount of insurance on your spouse, multiply $5,000 by the number of Option C multiples you continued in retirement. For coverage on your eligible children, multiply these multiples by $2,500.

Eligible children include:

1. your unmarried dependent children (other than a stillborn child), including legally adopted children,

2. your unmarried dependent stepchildren and foster children if they live with you in a regular parent-child relationship, and

3. your unmarried recognized natural children born out of wedlock who are either living with you in a regular parent-child relationship or who are receiving regular and substantial support from you.

To be covered, a child must be under age 22 or, if 22 or over, incapable of self-support because of a mental or physical disability which existed before the child became 22 years of age. We will determine if a child age 22 or over was covered in the event a retiree files a claim for benefits after that child's death. To ask us whether a foster child qualifies as an eligible child, call our Retirement Information Office for assistance.

If you separated on or after April 24, 1999, and were eligible to continue Option C insurance in retirement, you were asked to elect whether — at age 65 — some or all of your Option C multiples will continue at their full value or will gradually reduce to zero. We will give annuitants who reach age 65 after retirement another opportunity to make this election. If you elect Full Reduction for all multiples or if you separated for retirement before April 24, 1999, effective the first day of the second month after you reach age 65 or the first day of the

second month after you retire, whichever is later, your Option C full-reduction multiples will reduce by 2% of the face value per month for 50 months, at which time this coverage will end. We will withhold premiums for this coverage from your annuity through the month in which you reach age 65.

If you elect to continue some or all of your Option C multiples with No Reduction we will adjust the withholding for your Option C coverage to reflect the number of multiples you decided to retain at no reduction. Any other multiples will start to reduce as described above. You can cancel or reduce the number of multiples at any time.

The cost of Option C insurance depends on your age, the number of multiples you have, and the reduction you elect, as shown in the following table:

Age Group	Monthly Premium Per Multiple
Under age 35	$.59
Age 35 through 39	.74
Age 40 through 44	1.00
Age 45 through 49	1.30
Age 50 through 54	1.95
Age 55 through 59	3.14
Age 60 through 64	5.63
Age 65 and Over	No cost (BUT see below)
Additional premiums if you selected No Reduction for Option C:	
Age 65 through 69	6.50
Age 70 through 74	7.37
Age 75 through 79	9.75
Age 80 and Over	13.00
These rates were effective on the first pay period that started on or after January 1, 2003. They are subject to change.	

When you go from one age group to the next, your premiums will increase at the beginning of the month after your birthday. The increased premium will be reflected in the next payment. For example, if you are 60 in May, your monthly premium for Option C insurance would increase from $3.14 to $5.63 effective June 1. This increased premium would be reflected in your payment dated July 1, which covers your annuity and insurance premiums for the month of June.

If you elect to let some or all Option C multiples reduce, we will stop withholding the monthly premium for these multiples the first of the month after you are 65. For example, if you reach age 65 in April, premiums for Option C insurance would stop May 1. This would first be reflected in your payment dated June 1, which covers your annuity and insurance premiums for the month of May.

You are the beneficiary under Option C insurance. After your death, Option C stops. However, covered surviving family members will have an opportunity to convert to a non-group policy.

Information for Retirees and Their Families

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General Information About FEGLI (Continued)

How to Change Your Life Insurance Coverage after Retirement

Unless you have assigned your insurance, you may cancel it at any time. If you cancel your Basic life insurance, you are canceling all your Optional insurance as well. If you elected 50% or No Reduction for your Basic life insurance, you may cancel this additional coverage at any time. 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 and Option C - Family insurance at any time. To do so, please write to us telling us what you want to do.

If you have assigned your life insurance or have elected a living benefit, please call us to discuss any change you want to make in your coverage. Assignment and living benefits are situations that may prevent you from making changes.

Write to:

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

Be sure to give us your civil service retirement claim number (CSA number) and specify what action you want taken. Generally, the reduction or cancellation is effective at the end of the month in which we receive your written request. You will not receive a refund of any premiums paid through the end of the month in which we receive your request. However, if you are canceling Option C insurance in its entirety, the cancellation is retroactive to the end of the month in which you no longer had an eligible family member. (When you look for your premiums to change, remember that the annuity payment you receive on the first business day of the month pays annuity and insurance premiums for the preceding month.)

Termination of Life Insurance

Your Federal life insurance will terminate if your entitlement to annuity benefits ends. For example, if you are a disability retiree under age 60 and you are found recovered or restored to earning capacity, your disability annuity and life insurance coverage will end. You do not have the 31-day extension of coverage and may ***not*** convert the life insurance to an individual policy.

If you are a disability retiree whose annuity terminated as described above, you will retain your life insurance coverage if you are entitled to and apply for an immediate discontinued-service annuity. You will receive complete information concerning your right to do so if your disability annuity terminates. Also, if you are under age 60 and your disability annuity is reinstated due to loss of earning capacity or a recurrence of the disability for which you retired, you will be given an opportunity to have your life insurance coverage reinstated. Only coverage of the type and up to the amount you had in effect at the time your disability annuity was terminated can be reinstated. If you are entitled only to a deferred annuity after your disability annuity terminates, you

cannot retain your life insurance coverage as a retiree, and you cannot convert it to an individual policy. Under certain conditions, your annuity and life insurance coverage will terminate if you are reemployed in the Federal service, as explained in the following discussion.

Reemployment in the Federal Service

You must tell the agency in which you are seeking reemployment that you are an annuitant. If you become reemployed, you must notify:

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

You should send us either (1) a copy of the personnel document showing your appointment, if possible, or (2) the full name and address of your employing agency and the date you were reemployed.

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Office of Personnel Management
1900 E Street NW, Washington, DC 20415-1000 | (202) 606-1800 | TTY (202) 606-2532

Page updated January 27, 2003

Information for Retirees and Their Families

Pamphlet RI 76-12
Page 13

Who Receives Your Basic Life, Option A - Standard, and Option B - Additional Insurance Benefits (Continued)

How to Designate a Beneficiary

Unless you assign your life insurance as discussed starting on page 15, only ***you*** may designate a beneficiary. Designations by someone with your power of attorney are not valid. If you are incompetent, your designation of beneficiary cannot be altered.

You may obtain Standard Form (SF) 2823, *Designation of Beneficiary*, to name a beneficiary or to change or cancel a previous designation by calling our toll- free number, from the Internet, using email, or by writing to our Pennsylvania address shown on page 15.

After you complete the form, mail both copies back to this same address. To be valid, your designation must be in writing, signed, witnessed by two persons, and received by the Office of Personnel Management before your death. An un-witnessed letter indicating your intent does not constitute a valid designation of beneficiary. ***Witnesses to the designation may not be named as beneficiaries.***

> *Be **sure** to keep your designation of beneficiary up-to-date. OFEGLI cannot make payment if they cannot locate the beneficiary.*

If you name more than one beneficiary, be sure to specify their respective shares of your insurance benefits, otherwise they will share equally. Designate percentages or fractions; do not designate dollar amounts.

Do not send your designation to your former agency. If you send your designation to your former agency by mistake and we do not receive it before your death, it is not a valid designation of beneficiary.

How Your Survivors Apply for Life Insurance Benefits

Your beneficiary or other survivor as described on page 12 should call or write to us in the event of your death.

The beneficiary or other survivor should provide your full name and (1) your civil service retirement claim number (CSA number) or Social Security number, (2) date of birth, and (3) date of death.

The Office of Personnel Management (OPM) at that time will furnish the proper form (Form FE-6, *Claim for Death Benefits*) and instructions for claiming benefits. The claim form should be filed with the Office of Federal Employees' Group Life Insurance, not with OPM; the address is on the Form FE-6. It is the responsibility of the person to whom the benefits are payable to file the claim and to furnish proof of death and any other evidence which may be needed at that time.

Information for Retirees and Their Families

Pamphlet RI 76-12
Page 14

Who Receives Benefits Under Your Option C - Family Insurance

If you have Option C - Family insurance, ***you*** are the beneficiary. No designation is permitted under the law. Payment will be made to you in a lump sum. If you should die after the death of an insured family member but before payment of your claim, payment will be made to the person (or persons) to whom your Basic life insurance benefits are payable.

How to File a Claim for Option C - Family Insurance Benefits

If an insured family member (your spouse or eligible child as described in Option C - Family insurance, page 9) dies, you should call us, use the Internet, or write to us for the appropriate claim form (Form FE6-DEP). This form provides complete instructions for filing your claim. (You should not request this form unless the benefit becomes payable due to the death of an eligible family member.)

If we are withholding premiums for Option C from your annuity and you no longer have an eligible family member, you should notify us so we can stop withholding premiums.

In the event of your death, any eligible family member can convert his or her own coverage to an individual policy within 31 days after your death or within 31 days after he or she receives our notice of the right to convert, if later.

Living Benefits

You may elect to receive a lump-sum payment called a living benefit if you are terminally ill and have a documented medical prognosis that you are not expected to live more than nine months. Eligible annuitants may elect a full lump-sum payment equal to their Basic life insurance amount, plus any extra benefit for persons who are under age 45, that would be in effect nine months after the date the Office of Federal Employees' Group Life Insurance (OFEGLI) receives a completed claim for living benefits. If the life insurance is reducing, the lump sum will be the reduced amount payable nine months after OFEGLI receives the completed claim form. Annuitants cannot elect a partial living benefit payment; this option is available only to employees.

If you have assigned your life insurance coverage, neither you nor the assignee may elect living benefits. However, if you elected a living benefit, you may assign any remaining life insurance.

Your living benefits payment will be reduced by a nominal amount to make up for lost earnings to the Life Insurance Fund because of the early payment of benefits.

If you receive living benefits after retirement, no Basic life insurance will be payable after your death. We will stop withholding any Basic life insurance premiums from your monthly annuity. If you elected living benefits before you retired, the amount of Basic life insurance payable after your death and the premiums we withhold

from your annuity depend upon the amount of living benefits you received before retirement.

Your election of living benefits has no effect on the amount of any optional life insurance you may have. We will continue to withhold any premiums for optional insurance.

You may contact the Office of Federal Employees' Group Life Insurance at 1-800-633-4542 to obtain Form FE-8, *Claim for Living Benefits*, to elect living benefits. This form is not available from agencies or from your retirement system.

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1900 E Street NW, Washington, DC 20415-1000 | (202) 606-1800 | TTY (202) 606-2532

Page updated January 28, 2003

Information for Retirees and Their Families

Pamphlet RI 76-12
Page 15

Irrevocable Assignment of Life Insurance

If you wish, you may assign your life insurance to one or more persons, firms, or trusts. Assignment means that you agree to give up ownership of your Basic, Option A and Option B life insurance coverage ***forever***. You ***cannot cancel*** the assignment. The assignee becomes the beneficiary. If you assign your insurance, you must continue to pay any life insurance premiums. We will withhold the premiums from your annuity. However, if your annuity is too low to cover the cost of your life insurance, you or your assignee(s) may pay the premiums to us as described on page 4. You cannot assign Option C - Family insurance, because, by law, only you can be the beneficiary.

Only you can assign your life insurance. No one can do it on your behalf, and no one can force you to make an assignment. People generally assign insurance to comply with requirements of a court order for divorce, for personal financial planning purposes, or to satisfy a debt.

a. ***To comply with a court order*** - You may assign your life insurance in order to comply with a court order for divorce.

   Frequently, the court will order a Federal retiree to name a former spouse as the life insurance beneficiary. Assigning life insurance coverage to a former spouse provides a means for the retiree to assure the court that life insurance benefits will be payable to a former spouse or his or her designated beneficiary.

b. ***For inheritance tax purposes*** - Generally, if an assignment is made at least three years before an individual's death, the insurance is considered a gift to the assignee, rather than a part of the estate of the insured. Current Federal estate tax law allows an unlimited marital deduction for that portion of the gross estate passed to a surviving spouse. Thus, there is no apparent immediate tax advantage to assigning ownership of a life insurance policy to a spouse. However, since State tax laws vary and tax savings under Federal or State law can be considerable if insurance proceeds are not subject to estate taxes, it is important to rely on the advice of a competent estate tax advisor.

   The Office of Personnel Management assumes no responsibility or obligation with respect to the validity, sufficiency, or the consequences of an assignment under the Internal Revenue Code. A determination as to whether the life insurance proceeds are included in your gross estate must ultimately be made by the Internal Revenue Service (IRS) at the time of your death.

c. ***To obtain accelerated death benefits*** - You can assign your life insurance to a viatical settlement firm. You might wish to do this if you are terminally ill in order to obtain a portion of the value of your life insurance before your death.

d. ***To satisfy a debt*** - You can assign your life insurance to a person or corporation to satisfy a debt.

By assigning your life insurance, you give up the right to designate beneficiaries and to reduce the amount of insurance coverage (even if the cost is more than you can afford).

If you assign your life insurance to more than one person, you must specify the percentage shares for each person. You are not permitted to name contingent assignees in the event the primary assignee predeceases you.

An assignment cancels any designation of beneficiary you have made. After the assignment, only the assignee (s) may designate beneficiaries. Each assignee may designate anyone, including himself or herself, as the beneficiary of the portion of your life insurance the assignee owns. An assignee may designate a contingent beneficiary and may change the designation of beneficiary at any time. Each assignee is responsible for keeping us advised of his or her current address.

If the assignee does not designate a beneficiary, the assignee is the beneficiary and receives the benefits after your death.

An assignee may reassign his or her portion of the insurance coverage to individuals, firms, or trusts.

The assignee assumes all rights to cancel your life insurance. If there are two or more assignees, all of them must agree to any cancellation of your coverage.

The assignee has the same life insurance conversion rights as those described for annuitants on page 4 of this booklet, as long as the assignment was effective on or before the right to convert arose.

The assignee has the right to change your reduction schedule election to the maximum reduction. If there is more than one assignee, all of them must agree to change the election.

If you want to assign your life insurance, call, use the Internet, or write to us asking for an assignment form RI 76-10, *Assignment of Federal Employees' Group Life Insurance*. The assignment will be effective on the date we receive the properly completed, signed, dated, and witnessed assignment form. Instructions for making an assignment are on the form.

Information for Compensationers

If your life insurance coverage as an employee terminated and you are receiving benefits from the Department of Labor, Office of Workers' Compensation Programs under conditions which allow you to continue life insurance as a compensationer, your coverage is subject to the same conditions as a retiree. However, if your life insurance coverage as an employee terminated ***before*** November 2, 1978, (because of separation or completion of 12 months non-pay status), the amount of your life insurance will ***not*** reduce when you reach age 65, as long as you are in receipt of compensation and are determined by the Department of Labor to be unable to return to duty.

You should be aware that if the Department of Labor determines that you are capable of returning to work (even if only part-time; even if they continue loss-of-wage-earning-capacity payments; even if you do not actually return to work), your life insurance coverage as a compensationer ***ends***. You will not have the 31-day extension of coverage; you will not have a right to convert your life insurance to an individual policy. Of course, if you return to work in a Federal position eligible for life insurance coverage, you can again obtain life insurance.

If you are separated from your agency on an approved disability retirement which is suspended because you are in receipt of Workers' Compensation and you are notified that you are capable of returning to work, you can waive Workers' Compensation and elect retirement. To do this, contact us to discuss your situation and find out how much annuity we would pay you. Then you can decide whether to ask us to start payments to you. We need a copy of your letter to the Department of Labor stating the date that you waive Workers' Compensation to receive payments from us. If you make this election, your life insurance will continue, and we will withhold the premiums from your monthly annuity.

The information about reemployment in the Federal service applies to reemployed Compensationers who have been approved for retirement.

We hope this pamphlet has helped you. If you have other questions about retirement and survivor benefits, you may call as described on page 1 or write to us at the following address:

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

If you do write, please be sure to provide your civil service retirement claim number (CSA number) and date of birth to allow us to identify your records promptly.

Our Internet address is: *http://www.opm.gov/retire*

Address email to: *retire@opm.gov*

The pamphlets listed below offer information about their respective topics. If you wish to request one or more of these booklets, you may call or write to us at the address shown above.

Title	Form Number
Information for Annuitants on the Civil Service Retirement System	RI 20-59
Information for Annuitants on the Federal Employees' Retirement System	RI 90-8
Information for Retirees and Survivor Annuitants About the Federal Employees Health Benefits Program	RI 79-2

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Page updated January 24, 2003

Federal Employees' Group Life Insurance Program Premiums

Employee Rates | Handbook | FEGLI Home

Premiums for Annuitants

- Rates for Basic Life Insurance
- Rates for Option A – Standard
- Rates for Option B – Additional
- Rates for Option C – Family

These rates were effective on the first pay period that started on or after January 1, 2004. For earlier rates see our rates history pages.

Use our FEGLI Calculator to see how these rates apply to you and to see the effect of various option changes.

Cost for each $1,000 of the Basic Insurance Amount in Effect at the Time of your Retirement

	75% Reduction	50% Reduction	No Reduction
Until the Month after your 65th Birthday	$0.325 monthly	$0.925 monthly	$2.155 monthly
Starting the Month after your 65th Birthday	Free	$0.60 monthly*	$1.83 monthly*

* You will continue to pay premiums for life (unless you cancel or subsequently elect 75% Reduction).

Rates for Option A - Standard
(Monthly)

Age Group	_
Under 35	$0.65
35-39	$0.87
40-44	$1.30
45-49	$1.95
50-54	$3.03
55-59	$5.85

60-64	$13.00
65+	Free

Rates for Option B - Additional

Age Group	Monthly, per $1000 of coverage
Under 35	$0.065
35-39	$0.087
40-44	$0.130
45-49	$0.195
50-54	$0.303
55-59	$0.607
60-64	$1.30
65 and over	Free* (**BUT see below**)

* For eligible annuitants who elected No Reduction for Option B, coverage is **NOT** free for age 65+. These annuitants must continue to pay premiums as shown below for No Reduction Option B coverage.

Age Group	Monthly, per $1000 of coverage
65-69	$1.538
70-74	$2.232
75-79	$3.098
80 and over	$3.965

Option B rates for everyone age 65 and older will increase in January 2005. Click here for the January 2005 rates

---

Rates for Option C - Family

Age Group	Monthly, per multiple
Under 35	$0.59
35-39	$0.74
40-44	$1.00
45-49	$1.30
50-54	$1.95

55-59	$3.14
60-64	$5.63
65+	Free* (**BUT see below**)

*For eligible annuitants who elected No Reduction for Option C, coverage is **NOT** free for age 65+. These annuitants must continue to pay premiums, as shown below:

Age Group	Monthly, per multiple
Age 65-69	$6.50
Age 70-74	$7.37
Age 75-79	$9.75
Age 80+	$13.00

RATES MAY CHANGE IN THE FUTURE

Office of Personnel Management
1900 E Street NW, Washington, DC 20415-1000 | (202) 606-1800 | TTY (202) 606-2532

TABLE OF BASIC INSURANCE AMOUNTS

If annual pay is more than:	But no more than:	The Basic Insurance Amount is:
0	$8,000	$10,000
$8,000	9,000	11,000
9,000	10,000	12,000
10,000	11,000	13,000
11,000	12,000	14,000
12,000	13,000	15,000
13,000	14,000	16,000
14,000	15,000	17,000
15,000	16,000	18,000
16,000	17,000	19,000
17,000	18,000	20,000
18,000	19,000	21,000
19,000	20,000	22,000
20,000	21,000	23,000
21,000	22,000	24,000
22,000	23,000	25,000
23,000	24,000	26,000
24,000	25,000	27,000
25,000	26,000	28,000
26,000	27,000	29,000
27,000	28,000	30,000
28,000	29,000	31,000
29,000	30,000	32,000
30,000	31,000	33,000
31,000	32,000	34,000
32,000	33,000	35,000
33,000	34,000	36,000
34,000	35,000	37,000
35,000	36,000	38,000
36,000	37,000	39,000
37,000	38,000	40,000
38,000	39,000	41,000
39,000	40,000	42,000
40,000	41,000	43,000
41,000	42,000	44,000
42,000	43,000	45,000
43,000	44,000	46,000
44,000	45,000	47,000
45,000	46,000	48,000
46,000	47,000	49,000

If annual pay is more than:	But no more than:	The Basic Insurance Amount is:
$47,000	$48,000	$50,000
48,000	49,000	51,000
49,000	50,000	52,000
50,000	51,000	53,000
51,000	52,000	54,000
52,000	53,000	55,000
53,000	54,000	56,000
54,000	55,000	57,000
55,000	56,000	58,000
56,000	57,000	59,000
57,000	58,000	60,000
58,000	59,000	61,000
59,000	60,000	62,000
60,000	61,000	63,000
61,000	62,000	64,000
62,000	63,000	65,000
63,000	64,000	66,000
64,000	65,000	67,000
65,000	66,000	68,000
66,000	67,000	69,000
67,000	68,000	70,000
68,000	69,000	71,000
69,000	70,000	72,000
70,000	71,000	73,000
71,000	72,000	74,000
72,000	73,000	75,000
73,000	74,000	76,000
74,000	75,000	77,000
75,000	76,000	78,000
76,000	77,000	79,000
77,000	78,000	80,000
78,000	79,000	81,000
79,000	80,000	82,000
80,000	81,000	83,000
81,000	82,000	84,000
82,000	83,000	85,000
83,000	84,000	86,000
84,000	85,000	87,000
85,000	86,000	88,000
86,000	87,000	89,000
87,000	88,000	90,000
88,000	89,000	91,000
89,000	90,000	92,000

NALC

RETIREMENT MANUAL 8

SURVIVOR ANNUITY BENEFIT ELECTIONS

8 Survivor Annuity Benefit Elections

A retiring employee can make an election to cover his or her survivors with a survivor annuity.

Making this choice provides an annuity for a surviving spouse and reduces the retiree's annuity amount. If the deceased annuitant leaves surviving minor children, they also receive survivor annuities. Their annuities last until they reach age 18, (22 if full-time students, or longer, if disabled).

Because survivor annuities are so important to surviving husbands and wives, a retiring employee should think long and hard before declining to choose a survivor annuity. A retiring employee who wishes to decline a survivor annuity is required by law to obtain the spouse's written, witnessed consent.

A retiring employee also may elect an "insurable interest" annuity—typically for a family member other than a child or spouse.

Contents

This chapter contains portions of OPM's CSRS & FERS Handbook relating to survivor elections and benefits for spouses and children. Because the handbook is very long and detailed, selected pages are presented here:

A. Chapter 52, Survivor Benefit Elections
   - CSRS, pp. 1, 3-14, 18-19
   - FERS, pp. 29-34

B. Chapter 73, Children's Benefits
   - CSRS, pp. 1, 3, 11-13, 16-17
   - FERS, pp. 18-23

More Information

See NALC's booklets about the CSRS and FERS retirement systems:

- *Survivor's Guide to CSRS, FERS, and Social Security*
- *Questions & Answers on the Civil Service Retirement System*
- *Questions & Answers on the Federal Employees' Retirement System*

Also see the OPM website, www.opm.gov. To find the CSRS & FERS Handbook, on the OPM home page choose HR Tools and Resources>Benefits and Retirement>CSRS and FERS Handbook for Personnel and Payroll Offices.

Subchapter 52A CSRS
Part 52A1 General Information

Section 52A1.1-1 Overview

A. Introduction

For most retiring employees, decisions about survivor benefits are quite straightforward. Married employees whose spouses also have earned retirement benefits need to decide what combination of benefits will work best for them to provide the best combination of income, health insurance coverage, etc. However, situations can become more complicated if the retiring employee has a former spouse who is entitled under a court order to survivor benefits, or if the retiree expects to marry after retirement.

NOTE: Survivor benefits payable to a former spouse because of a court order are discussed in Chapter 5, Court Orders.

This subchapter covers the various survivor benefit elections under CSRS.

NOTE: Survivor benefits payable to the children of deceased employees and retirees are covered in Chapter 73, Children's Benefits.

B. Topics Covered

This subchapter covers:

- Types of survivor elections;
- The spousal consent requirement;
- Election of a current spouse survivor annuity or a self-only annuity;
- Election of a former spouse survivor annuity;
- Election of an insurable interest annuity;
- Changes in survivor elections before and after final adjudication of a retirement claim; and
- The relationship between survivor benefit elections and court-ordered survivor benefits for former spouses.

Section 52A1.1-2 Definitions

A. Current Spouse	"Current spouse" means a living person who is married to the employee or retiree at the time of the employee's or retiree's death.
B. Current Spouse Survivor Annuity	"Current spouse survivor annuity" means a recurring benefit that is payable (after the employee's or retiree's death) to a current spouse who meets the marriage duration requirements described in Chapter 71, Spouse Benefits - Death of an Annuitant, section 71A2.1-2, paragraph B.
C. Former Spouse	"Former spouse" means a living person who was married for at least 9 months to an employee or retiree who performed at least 18 months of creditable service in a position covered by CSRS and whose marriage to the employee or retiree was terminated prior to the death of the employee or retiree. "Former spouse" includes only a person who was married to an employee on or after May 7, 1985, or who was the spouse of a retiree who retired on or after May 7, 1985, regardless of the date of the termination of the marriage.
D. Former Spouse Survivor Annuity	"Former spouse survivor annuity" means a recurring benefit that is payable to a former spouse after the employee's or retiree's death.
E. Fully Reduced Annuity	"Fully reduced annuity" means the recurring payments received by a retiree who has elected the maximum allowable reduction in annuity to provide a current spouse survivor annuity and/or a former spouse survivor annuity or annuities.
F. Insurable Interest Annuity	"Insurable interest annuity" means the recurring payments to a retiree who has elected a reduction in annuity to provide a survivor annuity to a person with an insurable interest in the retiree.
G. Partially Reduced Annuity	"Partially reduced annuity" means the recurring payments under CSRS to a retiree who has elected less than the maximum allowable reduction in annuity to provide a current spouse or former spouse survivor annuity.
H. Self-Only Annuity	"Self-only annuity" means the recurring unreduced payments to a retiree who has elected not to provide a survivor annuity to anyone.

Part 52A2 Survivor Elections Made at Retirement

Section 52A2.1-1 Types of Survivor Elections

A. General

Retiring employees may make one of three types of spousal survivor benefit elections at the time of retirement:

- Self-only annuity (no survivor benefits) (see section 52A2.1-3.C);
- Partially reduced annuity (see section 52A2.1-3.A.2); or
- Fully reduced annuity (see section 52A2.1-3.A.1).

The benefits may be used to provide one of the following types of benefits:

- Current spouse survivor annuity (full or partial survivor benefits) (see section 52A2.1-3);
- Former spouse survivor annuity or annuities (full or partial survivor benefits) see section 52A2.1-4); or
- A combination of the two.

In addition to the spousal survivor benefits elections, the employee, if eligible, may elect an insurable interest annuity (see part 52A3).

NOTE: Payment based on any of the above elections may be restricted to the extent it would conflict with a valid court order awarding survivor benefits to a former spouse. See part 52A5 for a complete discussion of the relationship between court orders and survivor benefit elections.

Section 52A2.1-2 Spousal Consent Requirement

A. Rule

If a retiree who is married at the time of retirement does not wish to provide the maximum current spouse survivor annuity, he or she must obtain the spouse's consent.

Spousal consent must be given on SF 2801-2, Spouse's Consent to Survivor Election. OPM regulations require that spousal consent be given by completing the OPM consent form before a notary public or other official authorized to take oaths.

B. Who May Properly Witness Spousal Consent

1. The proper officials to witness spousal consent are officials authorized to administer oaths for all purposes and to take acknowledgements, such as notaries.

   NOTE: The function notaries perform in witnessing spousal consent is taking an acknowledgement. An acknowledgement is the act of a person who has executed a document by going before an official authorized to take the acknowledgement and declaring it to be his or her voluntary action.

   Most officials authorized to administer oaths and take acknowledgements receive their authority under State law. County Clerks, Clerks of Court, Judges, and Justices of the Peace are usually so authorized under State law.

2. Persons authorized by heads of agencies under 5 U.S.C. 2903(b) may only administer oaths on matters affecting an employee's Federal employment and may not take acknowledgements. They may not witness spousal consent.

C. Waiver of Spousal Consent Requirement

1. OPM may waive the spousal consent requirement if the employee shows that the spouse's whereabouts cannot be determined. A request for waiver on this basis must be accompanied by:

   - A judicial determination that the spouse's whereabouts cannot be determined; or

   - Affidavits by the employee and two other persons, at least one of whom is not related to the employee, attesting to the inability to locate the current spouse and stating the efforts made to locate the spouse. The employee also should submit documentary evidence, such as newspaper stories about the spouse's disappearance.

Section 52A2.1-2 Spousal Consent Requirement (Cont.)

C. Waiver of Spousal Consent Requirement (Cont.)

2. The spousal consent requirement will be waived based on exceptional circumstances if the employee presents a judicial determination finding that exceptional circumstances warrant waiver of the consent requirement. The court order must state:

- The case before the court involves a Federal employee who is in the process of retiring from Federal employment and the spouse of that employee;
- The non-employee spouse has been given notice and an opportunity to be heard concerning this order;
- The court has considered 5 U.S.C. 8339(j)(1) and 5 CFR 831.618(b) as it relates to waiver of the spousal consent requirement for a married Federal employee to elect an annuity without reduction to provide a survivor benefit to a spouse at retirement; and
- The court finds that exceptional circumstances exist justifying waiver of the non-employee spouse's consent.

Section 52A2.1-3 Electing a Current Spouse Survivor Annuity or a Self-Only Annuity

A. Current Spouse Survivor Annuity

1. **Maximum Survivor Benefits**

A married employee retiring under CSRS automatically will receive a fully reduced annuity to provide a current spouse survivor annuity unless the spouse consents to an election not to provide maximum survivor benefits.

2. **Partial Survivor Benefits**

A married employee retiring under CSRS may elect a partially reduced annuity to provide less than maximum survivor benefits. If a married person elects partial survivor benefits, spousal consent must be obtained or waived.

NOTE 1: The rules for computing the amount and cost of survivor benefits under CSRS are covered in Chapter 50, Computation of Annuity Under the General Formula, section 50A3.1-3.

NOTE 2: In making a survivor election, a retiring employee and his or her spouse need to consider things such as the spouse's future retirement benefits based on his or her own employment, other sources of income such as savings, whether other sources of income are protected against inflation with cost-of-living adjustments, the spouse's need for continued FEHB coverage (coverage can only be retained if some annuity has been elected), expected expenses, etc.

While there is an opportunity to increase survivor benefits being provided within the 18-month period after an employee's annuity begins, delaying the election may be much more expensive than making the appropriate election at retirement. (See Part 52A4, Changes in Survivor Elections at Retirement.)

B. Termination of Reduction for Current Spouse Survivor Annuity

Any reduction in an annuity to provide a current spouse survivor annuity will terminate on the first day of the month after the current spouse dies.

Section 52A2.1-3 Electing a Current Spouse Survivor Annuity or a Self-Only Annuity (Cont.)

C. Self-Only Annuity	Each retiring employee, married or unmarried, may elect an annuity payable only during his or her lifetime with no survivor benefits. However, in the case of a married employee, this election may be made only if spousal consent is obtained or waived.

Section 52A2.1-4 Electing a Former Spouse Survivor Annuity or a Combination Current/Former Spouse Annuity

A. General Rules

1. An unmarried employee retiring under CSRS may elect a fully reduced annuity or partially reduced annuity to provide a former spouse survivor annuity. Employees considering this election should be aware that if they later remarry this election may limit the amount available to provide for the new spouse.

2. A married employee retiring under CSRS may elect a fully reduced annuity or a partially reduced annuity to provide a former spouse survivor annuity instead of a fully reduced annuity to provide a current spouse survivor annuity, provided the current spouse consents to the election or spousal consent is waived. See Section 52A6.1-2 for more detailed information about providing benefits for a current spouse when a court-ordered former spouse survivor annuity is payable.

B. Maximum Survivor Benefits Payable

The maximum combined total of all current and former spouse survivor annuities payable based solely on the service of an employee or former employee equals 55 percent of the rate of the self-only annuity that would have been paid to the employee or retiree.

NOTE: The maximum combined total of current and former spouse survivor annuities does not include benefits based on an election of an insurable interest annuity.

C. When Election to Provide a Former Spouse Survivor Annuity is Void

An election to provide a former spouse survivor annuity is void to the extent it:

1. Provides a benefit smaller than the amount required by a qualifying court order; or

2. Would cause the total of all elected current and former spouse survivor annuities to exceed 55 percent of the self-only annuity to which the employee would be entitled.

Section 52A2.1-4 Electing a Former Spouse Survivor Annuity or a Combination Current/Former Spouse Annuity (Cont.)

D. Termination of Former Spouse Survivor Annuity

Any reduction in an annuity to provide a former spouse survivor annuity will terminate as expressly provided for in a court order or on the first day of the month after the former spouse dies or remarries before age 55.

EXCEPTION 1: The reduction will continue if the retiree elects, within 2 years after the former spouse's death or remarriage, to continue the reduction to provide or increase a former spouse survivor annuity for another former spouse, or to provide or increase a current spouse survivor annuity.

EXAMPLE: Jill's husband Steve was injured in an accident, leaving Jill as the breadwinner in the family. When they divorced, Steve was awarded a survivor annuity as part of the divorce. However, 2 years after Jill retired, Steve died. Jill elected to continue the reduction in her annuity to provide survivor benefits for Bill, her current spouse.

EXCEPTION 2: The reduction will continue if a qualifying court order requires the retiree to provide another former spouse survivor annuity.

EXAMPLE: During Leon's working years, he was married to Marie, Peggy and Sharon. Leon's divorce from Marie required him to provide her with all of his future survivor annuity. Later the court order in his divorce from Peggy provided a full survivor annuity for her until she remarries. Leon was married to Sharon when he retired.

When Leon retired, his annuity was reduced to provide a full former spouse survivor annuity for Marie. Three years after Leon retired, Marie remarried. Since she was only 52 at the time, she lost entitlement to a former spouse survivor annuity.

Leon's annuity continued to be reduced to provide a benefit for Peggy. However, she remarried at age 59. Her right to a future survivor annuity ended, since this court order provided that her right to any survivor annuity would end upon remarriage, without regard to her age. Leon could have then received his full annuity if Sharon had waived her right to a survivor annuity when Leon retired. However, the reduction continued because Leon had already elected a full benefit for Sharon when he retired.

Part 52A5 Survivor Elections Made After Retirement

Section 52A5.1-1 Survivor Election for a Spouse Acquired After Retirement

A. Rule: Unmarried at Retirement

1. If the retiree was unmarried at retirement, he or she may elect, within 2 years after the marriage, a reduced annuity to provide a current spouse survivor annuity for the spouse.

2. The reduction in the retiree's monthly annuity is effective no earlier than the first of the month beginning 9 months after the date of marriage.

   NOTE: The election described in this paragraph is subject to the requirements described in paragraphs C and D below.

B. Rule: Married at Retirement

If the retiree was married at retirement, that marriage ends, and he or she marries again, the retiree may elect, within 2 years of remarriage, a reduced annuity to provide a current spouse survivor annuity for the new spouse.

NOTE 1: If the retiree remarries the same person he or she was married to at time of retirement and that person had previously consented to an election of less than the maximum survivor annuity, the retiree may not later elect to provide a greater survivor annuity for that person upon remarriage.

NOTE 2: The election described in this paragraph is subject to the requirements described in paragraphs C and D below.

C. Restrictions

Qualifying court orders prevent payment of current spouse survivor annuities to the extent necessary to comply with the court order and the maximum limitation.

If an election causes the total of all current and former spouse survivor annuities provided by a qualifying court order or an election to exceed the maximum, OPM will accept the election but pay only the portion not in excess of the maximum.

D. Deposit Required

In the case of a survivor election for a spouse acquired after retirement, the retiree must agree to pay a deposit equal to the difference between the amount of annuity actually paid and the amount of annuity that would have been paid if the survivor election had been in effect continuously since

Section 52A5.1-1 Survivor Election for a Spouse Acquired After Retirement (Cont.)

D. Deposit Required (Cont.)	the time of retirement or since the date the reduction terminated, whichever is applicable. Interest is assessed against the amount owed at the rate of 6 percent, compounded annually. This deposit is paid by permanent actuarial reduction that, in most cases, is less than 5 percent of the employee's annuity.

Subchapter 52B FERS

Part 52B1 General Information

Section 52B1.1-1 Overview

A. Introduction

Subchapter 52B contains the rules and regulations applicable to survivor benefit elections under the Federal Employees Retirement System (FERS).

This subchapter explains how FERS differs from CSRS. It refers readers to the applicable CSRS rule or gives the FERS rule if different.

B. Organization of Subchapter

The FERS subchapter has two parts.

Part	Name of Part	Page
52B1	General Information	29
52B2	Survivor Elections Made at Retirement	32

C. Applicable CSRS Provisions

The following sections and parts of subchapter 52A are applicable to FERS employees:

Section 52A2.1-2: Spousal Consent Requirement

Part 52A3: Electing to Provide a Survivor Annuity to Someone With an Insurable Interest

Section 52A4.1-1: Changes of Election Before Final Adjudication

Section 52A4.1-2: Changes of Election After Final Adjudication

NOTE: The deposit terminology for FERS is different. The amount of a deposit is 24.5 percent of annual annuity for a change from no survivor to maximum survivor benefit, and 12.25 percent of annual annuity for change from no survivor to partial or partial to full survivor.

Section 52A5: Survivor Elections Made After Retirement

NOTE: The rules for making the election are the same, but under FERS, the amount must be either 25 percent or 50 percent of the retiree's self-only annuity.

Section 52B1.1-1 Overview (Cont.)

C. Applicable CSRS Provisions (Cont.)	Part 52A6:	Relationship Between Survivor Benefit Elections and Court-Ordered Survivor Benefits
	Part 52A7:	Miscellaneous Provisions

D. Statement of Authority

This subchapter is based on the laws and regulations cited below.

- United States Code: 5 U.S.C. 8416-8420; 5 U.S.C. Chapter 84, Subchapter IV
- Code of Federal Regulations: 5 CFR 838, 5 CFR 842, Subpart F; 5 CFR 843, Subparts A and C.

Section 52B1.1-2 Definitions

A. Applicable CSRS Provisions The definitions listed in CSRS section 52A1.1-2 are applicable under FERS, with two exceptions. The exceptions are noted in paragraphs B and C below.

B. Former Spouse "Former spouse" means a living person:

1. Who was married for at least 9 months to an employee or retiree with at least 18 months of creditable service under FERS; and

2. Whose marriage to the employee or retiree was terminated prior to the death of the employee or retiree.

C. Reduced Annuity "Reduced annuity" means the recurring payments under FERS received by a retiree who has elected a reduction in his or her annuity to provide a current spouse survivor annuity and/or a former spouse survivor annuity or annuities. Reduced annuities may be fully reduced to provide the maximum survivor benefit or one-half reduced to provide one-half the maximum survivor benefit. These are the only choices available under FERS. FERS does not give retirees the choice of electing anything from $1.00 to the full amount as CSRS does.

Part 52B2 Survivor Elections Made at Retirement

Section 52B2.1-1 Types of Survivor Elections

A. General

Retiring employees may make one of three types of spousal survivor benefit elections at the time of retirement:

- Self-only annuity (no survivor benefits) (see section 52B2.1-2.C);
- One-half reduced annuity (see section 52B2.1-2.A); or
- Fully reduced annuity (see section 52B2.1-2.A.).

The benefits may be used to provide one of the following types of benefits:

- Current spouse survivor annuity (full or one-half survivor benefits) (see section 52B2.1-2);
- Former spouse survivor annuity or annuities (full or one-half survivor benefits) (see section 52B2.1-3); or
- A combination of the two.

In addition to the spousal survivor benefit elections, the employee, if eligible, may elect an insurable interest annuity (see part 52A3 in the CSRS subchapter).

NOTE: All of the above elections are restricted to the extent they conflict with a valid court order awarding survivor benefits to a former spouse. See part 52A6 in the CSRS subchapter for a complete discussion of the relationship between court orders and survivor benefit elections.

Section 52B2.1-2 Electing a Current Spouse Survivor Annuity or a Self-Only Annuity

A. Current Spouse Survivor Annuity

Maximum Survivor Benefits

Under FERS, a married retiring employee will receive a reduced annuity to provide maximum (50 percent) survivor benefits to a current spouse unless the spouse consents to an election not to provide full benefits.

One-Half Maximum Survivor Benefits

Under FERS, a married retiring employee may elect a reduced annuity to provide one-half maximum (25 percent) survivor benefits to a current spouse. This election may be made only if spousal consent is obtained or waived. No other partial survivor benefit is available under FERS.

NOTE: The rules for computing the amount and cost of survivor benefits under FERS are covered in Chapter 50, section 50B3.1-4.

B. Termination of Reduction for Current Spouse Survivor Annuity

Any reduction in an annuity to provide a current spouse survivor annuity will terminate on the first day of the month after the current spouse dies.

C. Self-Only Annuity

The CSRS rule in section 52A2.1-3, paragraph C, regarding the election of a self-only annuity, is applicable under FERS.

Section 52B2.1-3 Electing a Former Spouse Survivor Annuity

A. General Rules

1. An unmarried employee retiring under FERS may elect a reduced annuity to provide a former spouse survivor annuity. The employee may elect to provide either maximum (50 percent) or one-half maximum (25 percent) survivor benefits. If the employee elects to provide survivor benefits for more than one former spouse, the elections must total either 25 percent or 50 percent of his or her unreduced annuity.

2. A married employee retiring under FERS may elect to provide maximum or one-half maximum survivor benefits to a former spouse provided the current spouse consents to the election or spousal consent is waived. If the employee wishes to provide survivor benefits to both the current and former spouse(s), the current spouse must receive 25 percent of the employee's unreduced annuity, and the remaining 25 percent may be divided among eligible former spouses.

B. Maximum Survivor Benefits Payable

The maximum combined total of all current and former spouse survivor annuities payable based solely on the service of an employee or former employee equals 50 percent of the rate of the self-only annuity that would have been paid to the employee or retiree.

NOTE: The maximum combined total of current and former spouse survivor annuities does not include benefits based on an election of an insurable interest survivor annuity.

C. When Election to Provide a Former Spouse Survivor Annuity is Void

An election to provide a former spouse survivor annuity is void to the extent it:

1. Provides a benefit smaller than the amount required by a qualifying court order; or

2. Would cause the total current and former spouse survivor annuities to exceed 50 percent of the self-only annuity to which the employee would be entitled.

D. Termination of Former Spouse Survivor Annuity

The conditions under which a former spouse survivor annuity terminates under CSRS (section 52A2.1-4, paragraph D) apply under FERS.

Subchapter 73A CSRS
Part 73A1 General Information

Section 73A1.1-1 Overview

A. Introduction

There are two kinds of death benefits:

1. Children's Monthly Survivor Annuity

   Survivor annuities may be payable to dependent children upon the death of an employee or retiree. This annuity is provided by law. An employee or retiree does not need to elect it.

2. Lump-Sum Payment

   A lump-sum payment may be payable to one or more children, if there is no one higher in the order of precedence, upon the death of an employee or retiree only if there is no one entitled to a survivor annuity.

NOTE 1: This Chapter covers monthly survivor annuity payments only. For information on lump-sum payments, see Chapter 32, Refunds, and Chapters 70, Spouse Benefits - Death of an Employee, and 72, Spouse Benefits - Death of a Former Employee, as they apply.

NOTE 2: A retiring employee who is in good health also may elect an insurable interest annuity for a child. See Chapter 52, Survivor Elections.

B. Topics Covered

This subchapter covers:

- The requirements that any child must meet to be eligible for survivor benefits;
- The amount of children's survivor benefit;
- The duration of a child's survivor annuity; and
- The procedures an agency and a parent or guardian must follow to initiate payment of children's survivor benefits.

Part 73A2 Eligibility Requirements

Section 73A2.1-1 Summary of Eligibility Requirements

A. General Requirements

If a child meets the eligibility requirements of paragraph B below, monthly survivor annuity benefits are automatically payable upon the death of:

1. A retiree; and

2. An employee who:

   - Completed at least 18 months of creditable civilian service at the date of death; and

   - Died while subject to CSRS.

B. Specific Requirements

To qualify for a survivor annuity, the child (including a legally adopted child) of a deceased employee or retiree:

1. Must have been dependent (defined in section 73A2.1-2 below) on the employee or retiree at the time of death;

2. Must be unmarried; and

3. Must be:

   - Under age 18;

   - Age 18 to 22 and a full-time student; or

   - Over age 18 and incapable of self-support due to a disability incurred before age 18.

Part 73A3 Amount of Benefits

Section 73A3.1-1 Amount of Benefits

A. General The children's survivor benefit is a specific dollar amount that is established by the formula in U.S.C. 8341(e)(2) and increased by CSRS COLA's. This benefit is payable in addition to any survivor annuity payable to a spouse. Each child's rate is determined individually based on circumstances described below.

B. Single Orphan Rate When the child has a living parent who was married to the employee or retiree (either at death or at any time prior to date of death), the benefit payable to that child is usually the lesser of:

1. > $344 < per month per child; or

2. > $1032 < per month divided by the number of eligible children.

C. Double Orphan Rate When the child has no living parent who was married to the employee or retiree the benefit payable to that child is usually the lesser of:

1. > $413 < per month per child; or

2. > $1,239 < per month divided by the number of eligible children.

D. Note Regarding Rates in B and C The rates quoted in paragraphs B and C above are for survivor annuities payable from January 1, 1998, through December 31, 1998. These rates will increase by future CSRS COLA's that occur on or after December 1, 1998.

In cases where the employee or retiree worked part-time or had a low salary, the rates in B and C may be less.

E. Recomputation of Benefits If a parent who was married to the employee or retiree dies before the benefit to the child ends, the annuity to the child is increased from the Single Orphan to the Double Orphan rate.

In situations where benefits are being paid to more than three children upon termination (for any reason) of the annuity to one child, the annuities to any remaining children are recomputed prospectively as though the terminated child had never been entitled to the benefit.

If a new child is added (for example, a child born after the death of the employee or retiree), individual rates may be decreased.

Section 73A3.1-1 Amount of Benefits (Cont.)

F. Payment OPM pays a child's annuity to:

1. The parent or other person who has care and custody of the child, if there is no court-appointed guardian;

2. The guardian, if one has been appointed by the court; or

3. A child over 18, upon request by the child or other payee on the claim.

NOTE: In general, the children's survivor benefit is included in the monthly payment of the surviving parent when he or she is also a beneficiary and has care and custody of the children.

Part 73A4 Duration of Benefits

Section 73A4.1-1 General Rules

A. Beginning Date A child's survivor annuity benefits begin on the day following an employee's or retiree's death or, in the case of a posthumous child, on the day following the child's birth.

B. Ending Date A survivor annuity to a child under 18 ends on the last day of the month preceding the month in which he or she:

- Marries;
- Dies; or
- Becomes 18.

NOTE 1: If the child's annuity terminates because of marriage, and then that marriage ends, the annuity will be resumed the first day of the month in which it ends, but only if:

(1) any lump sum paid is returned; and

(2) the child is not otherwise ineligible for an annuity.

A child whose annuity is restored may enroll for Federal Employees Health Benefits (FEHB) coverage if he or she was covered by an FEHB plan immediately before the annuity was terminated.

No benefit can be accrued and paid prior to October 1, 1996.

NOTE 2: If the child is a student or disabled, see sections 73A4.1-2 and 73A4.1-3.

Part 73A5 Procedures

Section 73A5.1-1 Procedures When Employee Dies

> See Section 70A3.1-1 for special procedures in situations when there is a disaster involving Federal employees. <

A. Agency Responsibility

1. When an employee dies, the agency:

   - Contacts the next of kin or emergency addressee and advises him or her of the right to apply for death benefits;
   - Informs the next of kin about what benefits may be payable;
   - Assists the next of kin in completing the SF 2800, Application for Death Benefits;
   - Submits the applicant's SF 2800 to OPM with the employee's Individual Retirement Record (SF 2806) if the applicants sends the SF 2800 to the agency before the SF 2806 is transmitted to OPM:
   - Completes the SF 2801-1, Certified Summary of Federal Service;
   - Completes the SF 2800A, Agency Certification for Death in Service; and
   - Submits the deceased employee's Individual Retirement Record (SF 2806), the SF 2801-1, and the SF 2800A to OPM within 30 days of the employee's death. If the next of kin completes an SF 2800, the agency submits that form as well.

2. When a student over 18 is involved, it will expedite OPM's processing of the application if a completed student certification form, RI 25-41, is sent with the application for benefits. Subchapter 73C contains a copy of the form for local reproduction. Likewise, if there is a disabled child over age 18, providing documentation of the disabling condition with the application for benefits will expedite OPM's processing. Subchapter C contains a copy of OPM Form RI 25-43 that may be used, or a copy of the SSA award letter may be submitted.

3. The agency should submit the deceased employee's records and any available information about potential payees to OPM as early as possible so they are received within 30 days of the employee's death.

Section 73A5.1-1 Procedures When Employee Dies (Cont.)

A. Agency Responsibility (Cont.)

NOTE: When contacted by the survivor of a retiree, the agency should refer the survivor to the following address for additional information, death benefit applications, etc.:

Office of Personnel Management
Retirement Operations Center
Boyers, PA 16017

The survivor should provide OPM with the retiree's name, date of birth, date of death, CSA number, and Social Security number.

B. Parent/Guardian Responsibility

1. The parent, legal guardian, or person with care and custody of the child should:

   - Complete the SF 2800, Application for Death Benefits;
   - Attach any other forms or evidence as required -- guardianship papers, medical documents for disabled children over age 18, proof that the child is a natural child, school certification, birth certificate, if the child was adopted, born out of wedlock, or a stepchild of the deceased, etc.

2. A surviving spouse or former spouse who is entitled to a benefit in his or her own right, and also on behalf of the child, only needs to file one application.

3. If the employing agency of a deceased employee has not yet forwarded the employee's records to OPM, the applicant sends the completed application to the employing office.

   In all other cases, the applicant sends the completed application to:

   Office of Personnel Management
   Retirement Operations Center
   Boyers, PA 16017.

C. OPM Responsibility

OPM determines what benefits are payable and, depending upon the type of benefit and other circumstances in a particular case, may request the applicant to submit additional evidence.

D. Health Benefits

Where survivor benefits are payable, any health benefit premiums are withheld from the monthly survivor annuity.

Subchapter 73B FERS
Part 73B1 General Information

Section 73B1.1-1 Overview

A. Introduction

Subchapter 73B contains the rules and policies that apply to children's survivor benefits under the Federal Employees Retirement System (FERS).

This subchapter explains how FERS differs from CSRS. It refers readers to the CSRS rule that applies or gives the FERS rule if it is different.

B. Organization of Subchapter

The FERS subchapter has three parts.

PART	NAME OF PART	PAGE
73B1	General Information	19
73B2	Benefits Payable	20
73B3	Procedures	23

C. Applicable CSRS Provision

The following part of subchapter 73A applies entirely to FERS employees.

- Part 73A2: Eligibility Requirements

D. Statement of Authority

This subchapter is based on the laws and regulations cited below.

- United States Code: 5 U.S.C. 8443
- Code of Federal Regulations: 5 CFR Part 843, Subpart D

Part 73B2 Benefits Payable

Section 73B2.1-1 Amount of Benefits

A. General Rule

A child's survivor annuity rate is:

1. The total amount payable to all children under CSRS;

2. Less the total amount payable to all children by Social Security; and

3. Divided by the number of children.

A child's survivor annuity is payable in addition to any survivor annuity payable to a spouse.

B. Employee Requirements

For a survivor annuity to be payable, the employee must have:

1. Completed at least 18 months of creditable civilian service; and

2. Died while subject to FERS.

Section 73B2.1-2 Social Security

A. General Rule

Any monthly FERS survivor benefit payable to any child of the deceased employee or retiree is reduced (offset) by the **total** amount of any Social Security survivor benefit payable to all children based on the Social Security earnings of the deceased employee or retiree. In many cases, the FERS benefit is reduced to $0.

There is no offset or reduction in any month for which the child is not entitled to insurance benefits from Social Security. For example, if Social Security benefits end because the child attained age 19, FERS survivor benefits are payable until age 22 if the child is still in school.

If the death of the employee results from injury or illness sustained in the performance of duty, compensation benefits may be payable. They are administered by the Department of Labor's Office of Workers' Compensation Programs (OWCP). OWCP payments are reduced by the amount of any Social Security survivor benefits attributable to the deceased employee's Federal service while under FERS coverage.

B. Agency Responsibility

Agencies should encourage survivors to apply for Social Security benefits for children as soon as possible. (See Standard Form 3104 and 3104B.)

C. OPM Requirement

OPM requires evidence of Social Security entitlement or nonentitlement before making any payments. (See Standard Form 3104 and 3104B.) Because of the Social Security offset, OPM presumes that there will be no FERS survivor benefit payable to children under age 19.

D. Survivor Responsibility

The parent, legal guardian, or other person with care and custody of children must:

1. Complete Standard Form 3104 and 3104B on behalf of the child or children; and

2. Submit a copy of the SSA award or denial letter to OPM when they receive it.

E. Failure to Submit SSA Award/Denial Letter

Normally, failure to submit the SSA award or denial letter with the application (and related documents) will not result in a delay in processing the case or in the payment of other benefits because of OPM's presumption that no benefits are payable to children under age 19.

Delay **will** result in cases where Social Security is not paying benefits to any child, or in the unusual case where the amount of the Social Security benefit does not completely offset the FERS benefit.

Section 73B2.1-2 Social Security (Cont.)

E. Failure to Submit SSA Award/Denial Letter (Cont.)

Under Public Law 104-121, approved March 29, 1996, a stepchild under Social Security must receive at least half of his or her support from the deceased stepparent in order to qualify for Social Security benefits. A child living with a stepparent is not automatically eligible for survivor benefits.

However, under Social Security a child not living with the stepparent is also not automatically disqualified so long as he or she received at least half support from the deceased stepparent.

Under CSRS and FERS law, to be eligible for survivor annuity benefits, a stepchild must be dependent on, and living with, the deceased parent at the time of death; however, the term "dependent" is, under the statutory definition, met for a stepchild if the stepchild is living with the stepparent. With the CSRS and FERS laws, unlike under Social Security, the term "dependent" does not require half support. A stepchild may be eligible for FERS benefits when not eligible for Social Security, if he or she was living with the deceased stepparent at the time of death, even if half support is not established.

Section 73B2.1-3 Duration of Benefits

A.	**Applicable CSRS Provision**	The CSRS rules on how long survivor benefits can be paid to children apply under FERS, with one exception. The exception is noted below.
B.	**Exception**	Unlike the CSRS law, the FERS law allows reinstatement of benefits to a disabled child over age 18 if OPM finds that the child again has become incapable of self-support.

Part 73B3 Procedures

Section 73B3.1-1 Procedures

A.	**General**	The procedures under FERS are the same as under CSRS with the exceptions noted below.
B.	**Forms**	1. The Application for Death Benefits is the SF 3104. 2. Standard Form 3104B applies only to FERS.
C.	**Health Benefits**	Where survivor benefits are payable, health benefits premiums are withheld from the monthly survivor annuity. In the situation where any child's FERS benefit is reduced below the amount necessary to pay the FEHB premium because of Social Security benefits received, the child (or children) can continue FEHB coverage by making direct payments to OPM. OPM will provide the payee with the procedures for making direct payments.

NALC

Social Security

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9 Social Security

Social Security is one of the three components of FERS retirement—along with the basic FERS benefit and the Thrift Savings Plan. It is administered not by OPM but by the Social Security Administration, a different government agency.

Until 1984, USPS and federal employees were covered by the Civil Service Retirement System (CSRS) and not by Social Security. If you worked for USPS or a federal agency during these years, you did not pay Social Security tax on your earnings and those earnings are not shown on your Social Security record.

The FERS retirement system was introduced in 1984. Work under FERS is covered by Social Security.

If you stayed under the Civil Service Retirement System after 1983, you still are not covered by Social Security. Of course, you may have earned sufficient Social Security credit in non-postal employment to qualify for benefits. CSRS employees are covered under the Medicare program and pay Medicare taxes on postal earnings. See Chapter 10, Medicare.

Your CSRS pension may reduce your Social Security benefit amount, because of what is known as the Windfall Elimination Provision. Your CSRS pension also may reduce your Social Security spouse's, widow's or widower's benefits, because of the Government Pension Offset.

Contents

A. Social Security Retirement Benefits (SSA Pamphlet)

B. Windfall Elimination Provision (SSA Fact Sheet)

C. Government Pension Offset (SSA Fact Sheet)

D. Your Retirement Benefit: How It Is Figured (SSA Fact Sheet)

More Information

See the Social Security Administration website, www.ssa.gov.

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Social Security

Retirement Benefits

www.socialsecurity.gov

Contacting Social Security

Visit our website

Our website, ***www.socialsecurity.gov***, is a valuable resource for information about all of Social Security's programs. At our website you also can:

- Apply for benefits;
- Get the address of your local Social Security office; and
- Get forms to request important documents, such as a *Social Security Statement*, a replacement Social Security or Medicare card or a letter to confirm your benefit amount.

Call our 1-800 number

In addition to using our website, you also can call toll-free at **1-800-772-1213**. We can answer specific questions and provide information by automated phone service 24 hours a day. If you are deaf or hard of hearing, you may call our TTY number, **1-800-325-0778**.

We treat all calls confidentially. We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.

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Social Security and your retirement plans

Social Security is part of the retirement plan of almost every American worker. If you are among the 96 percent of workers who are covered under Social Security, you should know how the system works and what you should receive from Social Security when you retire. This booklet explains how you qualify for Social Security benefits, how your earnings and age can affect your benefits, what you should think about in deciding when to retire and why you should not count only on Social Security for your retirement income.

This booklet provides basic information on Social Security retirement benefits and is not intended to answer all questions. For specific information about your situation, you should talk with a Social Security representative.

Your retirement benefits

How do you qualify for retirement benefits?

When you work and pay Social Security taxes, you earn "credits" toward Social Security benefits.

The number of credits you need to get retirement benefits depends on when you were born. If you were born in 1929 or later, you need 40 credits (10 years of work).

If you stop working before you have enough credits to qualify for benefits, the credits will remain on your Social Security record. If you return to work later on, you can add more credits so that you qualify. No retirement benefits can be paid until you have the required number of credits.

How much will your retirement benefit be?

Your benefit payment is based on how much you earned during your working career. Higher lifetime earnings result in higher benefits. If there were some years when you did not work or had low earnings, your benefit amount may be lower than if you had worked steadily.

Your benefit payment also is affected by the age at which you decide to retire. If you retire at age 62 (the earliest possible retirement age for Social Security), your benefit will be lower than if you wait until later to retire. This is explained in more detail on pages 4 and 5.

NOTE: *Each year, about three months before your birthday, you receive a* Social Security Statement. *It can be a valuable tool to help you plan a secure financial future. It provides you with a record of your earnings and gives estimates of what your Social*

Security benefits would be at different retirement ages. It also gives an estimate of the disability benefits you could receive if you become severely disabled before retirement, as well as estimates of the survivors benefits Social Security would provide your spouse and eligible family members when you die.

Early retirement

You can get Social Security retirement benefits as early as age 62, but if you retire before your full retirement age, your benefits will be **permanently** reduced, based on your age. For example, if you retire at age 62, your benefit would be about 20 percent lower than what it would be if you waited until you reach full retirement age.

Full retirement age

The "full retirement age" is 65 for people who were born before 1938. But because of longer life expectancies, the Social Security law was changed to gradually increase the full retirement age until it reaches age 67. This change affects people born in 1938 and later. Check the following table to find your full retirement age.

Age to receive full Social Security benefits	
Year of birth	***Full retirement age***
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67
NOTE: *People who were born on January 1 of any year should refer to the previous year.*	

Remember, no matter what your full retirement age is, you still will be able to retire at age 62 if you have earned enough Social Security credits, but your monthly benefits will be permanently reduced. Some people stop working before age 62. But if they do, the years with no earnings will probably mean a lower Social Security benefit when they retire.

NOTE: *Sometimes health problems force people to retire early. If you cannot work because of health problems, you should consider applying for Social Security disability benefits. The amount of the disability benefit is the same as a full, unreduced retirement benefit. If you are receiving Social*

Security disability benefits when you reach full retirement age, those benefits will be converted to retirement benefits. For more information, call us to ask for a copy of the publication, Disability Benefits *(Publication No. 05-10029).*

Delayed retirement

You may choose to keep working even beyond your full retirement age. If you do, you can increase your future Social Security benefits in two ways.

Each additional year you work adds another year of earnings to your Social Security record. Higher lifetime earnings may mean higher benefits when you retire.

Also, your benefit will increase automatically by a certain percentage from the time you reach your full retirement age until you start receiving your benefits or until you reach age 70. The percentage varies depending on your year of birth. For example, if you were born in 1943 or later, we will add 8 percent per year to your benefit for each year that you delay signing up for Social Security beyond your full retirement age.

NOTE: *If you decide to delay your retirement,* ***be sure to sign up for Medicare at age 65****. In some circumstances, medical insurance costs more if you delay applying for it. Other information about Medicare is on pages 16-17.*

Deciding when to retire

Choosing when to retire is an important but personal decision. Regardless of the age you choose to retire, it is a good idea to contact Social Security in advance to see which month is best to claim benefits. In some cases, your choice of a retirement month could mean higher benefit payments for you and your family.

In deciding when to retire, it is important to remember that financial experts say you will need 70-80 percent of your preretirement income to have a comfortable retirement. Since Social Security replaces only about 40 percent of preretirement income for the average worker, it is important to have pensions, savings and investments.

It may be to your advantage to have your Social Security benefits start in January, even if you do not plan to retire until later in the year. Depending on your earnings and your benefit amount, it may be possible for you to start collecting benefits even though you continue to work. Under current rules, many people can receive the most benefits possible with an application that is effective in January.

In some cases, it may be to your advantage to apply for benefits three months before the date you want your benefits to start. Because the rules can be complicated, we urge you to discuss your plans with a Social Security claims representative in the year before the year you plan to retire.

Working beyond full retirement age can increase your benefits.

Retirement benefits for widows and widowers

Widows and widowers can begin receiving Social Security benefits at age 60, or at age 50 if they are disabled. And they can take a reduced benefit on one record and later switch to a full benefit on the other record. For example, a woman could take a reduced widow's benefit at 60 or 62 and then switch to her full (100 percent) retirement benefit when she reaches full retirement age. The rules vary depending on the situation, so you should talk to a Social Security representative about the options available to you.

Family benefits

Benefits for family members

If you are getting Social Security retirement benefits, some members of your family also can receive benefits. Those who can include:

- Wives or husbands, if they are age 62 or older;
- Wives or husbands who are younger than 62, if they are taking care of their child entitled on your record who is under age 16 or disabled;
- Former wives or husbands, if they are age 62 or older (see "Benefits for a divorced spouse" on page 10);
- Children up to age 18 or 19, if they are full-time students who have not yet graduated from high school; and
- Disabled children, even if they are age 18 or older.

If you become the parent of a child (including an adopted child) after you begin receiving benefits, let us know about the child so we can decide if the child is eligible for benefits.

NOTE: *Children's benefits are available only to unmarried children. However, in certain situations,*

benefits are payable to a disabled child who marries someone who is also eligible as a disabled child.

Spouse's benefits

A spouse who has not worked or who has low earnings can be entitled to as much as one-half of the retired worker's full benefit. If you are eligible for both your own retirement benefits and for benefits as a spouse, we always pay your own benefits first. If your benefits as a spouse are higher than your retirement benefits, you will get a combination of benefits equaling the higher spouse benefit.

If spouses want to get Social Security retirement benefits before they reach full retirement age, the amount of the benefit is reduced **permanently**. The amount of reduction depends on when the person reaches full retirement age.

For example:

- If full retirement age is 65, a spouse can get 37.5 percent of the worker's unreduced benefit at age 62;
- If full retirement age is 66, a spouse can get 35 percent of the worker's unreduced benefit at age 62;
- If full retirement age is 67, a spouse can get 32.5 percent of the worker's unreduced benefit at age 62.

The amount of the benefit increases at later ages up to the maximum of 50 percent at full retirement age. If full retirement age is other than those shown here the amount of the benefit will fall between 32.5 percent and 37 percent at age 62.

However, if your spouse is taking care of a child who is under age 16 or who gets Social Security disability benefits, your spouse gets full benefits, regardless of age.

Here is an example:

Mary Ann qualifies for a retirement benefit of $250 and a spouse's benefit of $400. At her full retirement age, she will receive her own $250 retirement benefit, and we will add $150 from her spouse's benefit, for a total of $400. If she takes her retirement benefit before her full retirement age, both amounts will be reduced.

NOTE: *Your current spouse cannot receive spouse's benefits until you file for retirement benefits.*

Maximum family benefits

If you have children eligible for Social Security, each will receive up to one-half of your full benefit. But there is a limit to the amount of money that can be paid to a family—usually 150-180 percent of your own benefit payment. If the total benefits due to your spouse and children are more than this limit, their benefits will be reduced. Your benefit will not be affected.

Benefits for a divorced spouse

Your divorced spouse can get benefits on your Social Security record if the marriage lasted at least 10 years. Your divorced spouse must be 62 or older and unmarried.

The amount of benefits he or she gets has no effect on the amount of benefits you or your current spouse can get.

Also, if you and your ex-spouse have been divorced for at least two years and you and your ex-spouse are at least 62, he or she can get benefits even if you are not retired.

What you need to know when you are eligible for retirement benefits

How do you sign up for Social Security?

You can apply for retirement benefits online at ***www.socialsecurity.gov*** or you can call our toll-free number, **1-800-772-1213**. Or you can make an appointment to visit any Social Security office to apply in person.

Depending on your circumstances, you will need some or all of the documents listed below. But do not delay applying for benefits because you do not have all the information. If you do not have a document you need, we can help you get it.

Information needed:

- Your Social Security number;
- Your birth certificate;
- Your W-2 forms or self-employment tax return for last year;
- Your military discharge papers if you had military service;
- Your spouse's birth certificate and Social Security number if he or she is applying for benefits;
- Children's birth certificates and Social Security numbers, if you are applying for children's benefits;
- Proof of U.S. citizenship or lawful alien status if you (or a spouse or child applying for benefits) were not born in the United States; and
- The name of your bank and your account number so your benefits can be deposited directly into your account.

You will need to submit original documents or copies certified by the issuing office. You can mail or bring them to Social Security. We will make photocopies and return your documents.

Right to appeal

If you disagree with a decision made on your claim, you can appeal it. The steps you can take are explained in the publication, *The Appeals Process* (Publication No. 05-10041), which is available from Social Security.

You have the right to be represented by an attorney or other qualified person of your choice. More information is in the publication, *Your Right To Representation* (Publication No. 05-10075), which also is available from Social Security.

If you work and get benefits at the same time

You can continue to work and still receive retirement benefits. Your earnings in (or after) the month you reach your full retirement age will not reduce your Social Security benefits. However, your benefits will be reduced if your earnings exceed certain limits for the months before you reach your full retirement age. (See chart, page 5, to find your full retirement age.)

Here is how it works:

If you are younger than full retirement age, $1 in benefits will be deducted for each $2 in earnings you have above the annual limit.

In the year you reach your full retirement age, your benefits will be reduced $1 for every $3 you earn over an annual limit until the month you reach full retirement age. Once you reach full retirement age, you can keep working and earn all you can, and your Social Security benefit will not be reduced.

If, during the year, your earnings are higher or lower than you estimated, let us know as soon as possible so we can adjust your benefits.

If you want more information on how earnings affect your retirement benefit, call us for a copy of the publication, *How Work Affects Your Benefits* (Publication No. 05-10069), which has current annual and monthly earnings limits.

A special monthly rule

A special rule applies to your earnings for one year, usually your first year of retirement. Under this rule, you can receive a full Social Security check for any **month** you are "retired," regardless of your yearly earnings. Your earnings must be under a monthly limit. If you are self-employed, the work you do in your business is taken into consideration as well.

If you want more information on how earnings affect your retirement benefit, call us for a copy of the publication, *How Work Affects Your Benefits* (Publication No. 05-10069), which has current annual and monthly earnings limits.

Your benefits may be taxable

About one-third of people who get Social Security have to pay income taxes on their benefits.

- If you file a federal tax return as an "individual," and your combined income* is between $25,000 and $34,000, you may have to pay taxes on 50 percent of your Social Security benefits. If your combined income is more than $34,000, up to 85 percent of your Social Security benefits is subject to income tax.
- If you file a joint return, you may have to pay taxes on 50 percent of your benefits if you and your

spouse have a combined income* that is between $32,000 and $44,000. If your combined income* is more than $44,000, up to 85 percent of your Social Security benefits is subject to income tax.

- If you are married and file a separate return, you probably will pay taxes on your benefits.

At the end of each year, we will mail you a *Social Security Benefit Statement* (Form SSA-1099) showing the amount of benefits you received. You can use this statement when you are completing your federal income tax return to find out if you have to pay taxes on any of your benefits.

Although you are not required to have federal taxes withheld, you may find it easier than paying quarterly estimated tax payments.

For more information, call the Internal Revenue Service's toll-free telephone number, **1-800-829-3676**, to ask for Publication 554, *Tax Information For Older Americans*, and Publication 915, *Social Security Benefits And Equivalent Railroad Retirement Benefits*.

**On the 1040 tax return, your "combined income" is the sum of your adjusted gross income plus nontaxable interest plus one-half of your Social Security benefits.*

Pensions from work not covered by Social Security

If you get a pension from work where you paid Social Security taxes, that pension will not affect your Social Security benefits. However, if you get a pension from work that was not covered by Social Security—for example, the federal civil service, some state or local government employment or work in a foreign country—your Social Security benefit may be reduced.

For more information, call Social Security to ask for the publications: *Government Pension Offset*—for government workers who may be eligible for Social Security benefits on the earnings record of a husband or wife (Publication No. 05-10007); and *Windfall Elimination Provision*—for people who worked in another country or government workers who also are eligible for their own Social Security benefits (Publication No. 05-10045).

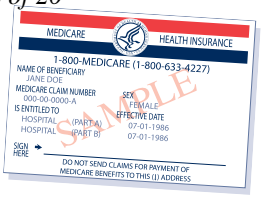
Leaving the United States

If you are a U.S. citizen, you can travel or live in most foreign countries without affecting your eligibility for Social Security benefits. However, there are a few countries—Cambodia, Cuba, North Korea, Vietnam and many of the former Soviet Union republics (except Armenia, Estonia, Latvia, Lithuania and Russia)—where we cannot send Social Security checks.

If you work outside the United States, different rules apply in determining if you can get benefits.

For more information, call us to ask for a copy of the publication, *Your Payments While You Are Outside The United States* (Publication No. 05-10137).

A word about Medicare



Medicare is a national health insurance plan for people who are 65 or older. (Although the full retirement age for Social Security benefits is increasing, the age to qualify for Medicare remains 65.) People who are disabled or have permanent kidney failure can get Medicare if they are younger than 65.

Medicare has two parts—hospital insurance and medical insurance. Most people have both parts. Hospital insurance, sometimes called Part A, covers inpatient hospital care and certain follow-up care. You already have paid for it as part of your Social Security taxes while you were working. Medical insurance, sometimes called Part B, pays for physicians' services and some other services not covered by hospital insurance. Medical insurance is optional, and you must pay monthly premiums.

If you are already getting Social Security benefits when you turn 65, your Medicare starts automatically. If you are not getting Social Security, you should sign up for Medicare before your 65th birthday, even if you are not ready to retire. For more information, call us to ask for the publication, *Medicare* (Publication No. 05-10043).

Help for low-income Medicare beneficiaries

If you have a low income and few resources, your state may pay your Medicare premiums and, in some cases, other "out-of-pocket" Medicare expenses, such as deductibles and coinsurance.

Only your state can decide whether you qualify for help under this program. If you think you qualify, contact your state or local medical assistance (Medicaid) agency, social services or welfare office. You can get more information about this program from the publication, *Medicare Savings Programs*. To get a copy, call the Medicare toll-free number, **1-800-MEDICARE** (**1-800-633-4227**), or visit ***www.medicare.gov*** on the Internet and click on "Publications."

Windfall Elimination Provision

January 2005

Your Social Security retirement or disability benefits may be reduced

If you work for an employer who does not withhold Social Security taxes from your salary, such as a government agency or an employer in another country, the pension you get based on that work may reduce your Social Security benefits.

The "windfall elimination provision" affects how the amount of your retirement or disability benefits is calculated if you receive a pension from work where Social Security taxes were not taken out of your pay. A modified formula is used to calculate your benefit amount, resulting in a lower Social Security benefit.

When your benefits may be affected

The windfall elimination provision primarily affects people who earned a pension from working for a government agency and also worked at other jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits. It also may affect you if you earned a pension in any job where you did not pay Social Security taxes, such as in a foreign country.

This provision affects Social Security benefits when any part of a person's federal service after 1956 is covered under the CSRS. However, federal service where Social Security taxes are withheld (Federal Employees' Retirement System or CSRS Offset) will not reduce your Social Security benefit amounts.

Your Social Security will be reduced if:

- You reached 62 after 1985; or
- You became disabled after 1985; or
- You first became eligible for a monthly pension based on work where you did not pay Social Security taxes after 1985, even if you are still working.

Why is a different formula used?

Your Social Security benefits are reduced because Social Security benefits were intended to replace only a percentage of a worker's pre-retirement earnings. The way Social Security benefit amounts are figured, lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 55 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, people who worked in jobs not covered by Social Security received benefits that were computed as if they were long-term, low-wage workers. They received the advantage of a higher percentage of benefits in addition to their other pension. Congress passed the windfall elimination provision to eliminate this advantage.

How does it work?

Social Security benefits are based on the worker's average monthly earnings adjusted for inflation. This is a complex formula. If you do not understand it, let us know, and we will be happy to help you. We separate your average earnings into three amounts and multiply the amounts using three factors. For example, for a worker who turns 62 in 2005, the first $627 of average monthly earnings is multiplied by 90 percent; the next $3,152 by 32 percent; and the remainder by 15 percent.

The 90 percent factor is reduced in the modified formula and phased in for workers who reached age 62 or became disabled between 1986 and 1989. For those who reach 62 or who became disabled in 1990 or later, the 90 percent factor is reduced to 40 percent.

Year	Substantial earnings
1937–1950	$900
1951–1954	$900
1955–1958	$1,050
1959–1965	$1,200
1966–1967	$1,650
1968–1971	$1,950
1972	$2,250
1973	$2,700
1974	$3,300
1975	$3,525
1976	$3,825
1977	$4,125
1978	$4,425
1979	$4,725
1980	$5,100
1981	$5,550
1982	$6,075
1983	$6,675
1984	$7,050
1985	$7,425
1986	$7,875
1987	$8,175
1988	$8,400
1989	$8,925
1990	$9,525
1991	$9,900
1992	$10,350
1993	$10,725
1994	$11,250
1995	$11,325
1996	$11,625
1997	$12,150
1998	$12,675
1999	$13,425
2000	$14,175
2001	$14,925
2002	$15,750
2003	$16,125
2004	$16,275
2005	$16,725

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

There are exceptions to this rule. For example, the 90 percent factor is not reduced if you have 30 or more years of "substantial" earnings in a job where you paid Social Security taxes. See the first table that lists the amount of substantial earnings for each year. If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to between 45 and 85 percent. To see the maximum amount your benefit could be reduced, visit ***www.socialsecurity.gov/retire2/wep-chart.htm***.

The second table shows the percentage used depending on the number of years of substantial earnings.

Some exceptions...

The windfall elimination provision does not apply to survivors benefits. It also does not apply if:

- You are a federal worker first hired after December 31, 1983;
- You were employed on December 31, 1983, by a non-profit organization that did not withhold Social Security taxes from your pay at first, but then began withholding Social Security taxes from your pay;
- Your only pension is based on railroad employment;
- The only work you did where you did not pay Social Security taxes was before 1957; or
- You have 30 or more years of substantial earnings under Social Security.

...and a guarantee

If you get a relatively low pension, you are protected. The reduction in your Social Security benefit cannot be more than one-half of that part of your pension based on your earnings after 1956 from which Social Security taxes were not deducted.

Contacting Social Security

For more information and to find copies of our publications, visit our website at ***www.socialsecurity.gov*** or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer specific questions and provide information by automated phone service 24 hours a day.

We treat all calls confidentially. We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.

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Government Pension Offset

A law that affects spouses and widows or widowers

If you receive a pension from a federal, state or local government based on work where you did not pay Social Security taxes, your Social Security spouse's or widow's or widower's benefits may be reduced. This fact sheet provides answers to questions you may have about the reduction.

How much will my Social Security benefits be reduced?

Your Social Security benefits will be reduced by two-thirds of your government pension. In other words, if you get a monthly civil service pension of $600, two-thirds of that, or $400, must be deducted from your Social Security benefits. For example, if you are eligible for a $500 spouse's, widow's or widower's benefit from Social Security, you will receive $100 per month from Social Security ($500 – $400 = $100).

If you take your government pension annuity in a lump sum, Social Security still will calculate the reduction as if you chose to get monthly benefit payments from your government work.

Why will my Social Security benefits be reduced?

Benefits we pay to wives, husbands, widows and widowers are "dependent's" benefits. These benefits were established in the 1930s to compensate spouses who stayed home to raise a family and who were financially dependent on the working spouse. But as it has become more common for both spouses in a married couple to work, each earned his or her own Social Security retirement benefit. The law has always required that a person's benefit as a spouse, widow, or widower be offset dollar for dollar by the amount of his or her own retirement benefit.

In other words, if a woman worked and earned her own $800 monthly Social Security retirement benefit, but she was also due a $500 wife's benefit on her husband's Social Security record, we could not pay that wife's benefit because her own Social Security benefit offset it. But, before enactment of the Government Pension Offset provision if that same woman was a government employee who did not pay into Social Security, and who earned an $800 government pension, there was no offset and we were required to pay her a full wife's benefit in addition to her government pension.

If this government employee's work had instead been subject to Social Security taxes, any Social Security benefit payable as a spouse, widow or widower would have been reduced by the person's own Social Security retirement benefit. In enacting the Government Pension Offset provision, Congress intended to ensure that when determining the amount of spousal benefit, government employees who do not pay Social Security taxes would be treated in a similar manner to those who work in the private sector and do pay Social Security taxes.

When won t my Social Security benefits be reduced?

Generally, your Social Security benefits as a spouse, widow or widower will not be reduced if you:

- Are receiving a government pension that is not based on your earnings;
- Are a state or local employee whose government pension is based on a job where you were paying Social Security taxes
  —on the last day of employment and your last day was before July 1, 2004;

—during the last five years of employment and your last day of employment was July 1, 2004, or later (Under certain conditions, fewer than five years may be required for people whose last day of employment falls between July 1, 2004, and March 2, 2009.);

- Are a federal employee, including Civil Service Offset employee, who pays Social Security taxes on your earnings (A Civil Service Offset employee is a federal employee who was rehired after December 31, 1983, following a break in service of more than 365 days and had five years of prior civil service retirement system coverage.);
- Are a federal employee who elected to switch from the Civil Service Retirement System to the Federal Employees' Retirement System (FERS) on or before June 30, 1988. If you switched after that date, including during the open season from July 1, 1998, through December 31, 1998, you need five years under FERS to be exempt from the Government Pension Offset;
- Received or were eligible to receive a government pension before December 1982 **and** meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received or were eligible to receive a federal, state or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

What about Medicare?

Even if you do not receive cash benefits based on your spouse's work, you still can get Medicare at age 65 on your spouse's record if you are not eligible for it on your own record.

Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse or widow or widower. However, your own benefits may be reduced because of another provision of the law. Contact us for the publication, *Windfall Elimination Provision* (Publication No. 05-10045).

Contacting Social Security

For more information, visit our website at ***www.socialsecurity.gov*** or call toll-free **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer specific questions and provide information by automated phone service 24 hours a day.

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Your Retirement Benefit: How It Is Figured

2006

As you make plans for your retirement, you may ask, "How much will I get from Social Security?" There are several ways you can find out. Social Security sends a yearly *Social Security Statement* to everyone age 25 or older who has paid Social Security taxes and has not yet received benefits. You should receive a *Statement* about three months before your birthday each year.

You also can request a *Statement* by calling Social Security and asking for a form SSA-7004, *Request for Social Security Statement*, or by downloading the form at ***www.socialsecurity.gov/online/ssa-7004.html*** on the Internet. Or, you can use the Benefits Planner at ***www.socialsecurity.gov/planners*** to estimate your benefit.

Many people wonder how their benefit is figured. Social Security benefits are based on your lifetime earnings. Your actual earnings are adjusted or "indexed" to account for changes in average wages since the year the earnings were received. Then Social Security calculates your average indexed monthly earnings during the 35 years in which you earned the most. We apply a formula to these earnings and arrive at your basic benefit, or "primary insurance amount" (PIA). This is how much you would receive at your full retirement age—65 or older, depending on your date of birth.

On the back of this page is a worksheet you can use to estimate your retirement benefit if you were born in 1944. It is only an estimate; for specific information about your situation, you should talk with a Social Security representative.

Factors that can change the amount of your retirement benefit

- *You choose to get benefits before your full retirement age.*

  You can begin to receive Social Security benefits as early as age 62, but at a reduced rate. Your basic benefit will be reduced by a certain percentage if you retire before reaching full retirement age.
- *You are eligible for cost-of-living benefit increases starting with the year you become 62.* This is true even if you do not get benefits until your full retirement age or even 70. Cost-of-living increases are added to your benefit beginning with the year you reach 62 up to the year you start getting benefits.
- *You delay your retirement past your full retirement age.*

  Social Security benefits are increased by a certain percentage (depending on your date of birth) if you delay receiving benefits until past your full retirement age. If you do so, your benefit amount will be increased until you reach age 70.
- *You are a government worker with a pension.*

  If you also get or are eligible for a pension from work where you did not pay Social Security taxes (usually a government job), a different formula is applied to your average indexed monthly earnings. To find out how your benefit is figured, contact Social Security and ask for *Windfall Elimination Provision* (Publication No. 05-10045) or review it online at ***www.socialsecurity.gov/pubs/10045.html***.

You may find a more detailed explanation about how your retirement benefit is calculated in the *Annual Statistical Supplement, 2004, Appendix D*. The publication is available on the Internet at ***www.socialsecurity.gov/policy/docs/statcomps/supplement/2004*** or you can order a paper copy by writing to the Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954.

Contacting Social Security

For more information and to find copies of our publications, visit our website at ***www.socialsecurity.gov*** or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. We can provide information by automated phone service 24 hours a day.

We treat all calls confidentially. We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.

Estimating your Social Security retirement benefit

For workers born in 1944 (people born in 1944 become age 62 in 2006 and are eligible for a benefit)

This worksheet shows how to estimate the Social Security monthly retirement benefit you would be eligible for at age 62 if you were born in 1944. It also allows you to estimate what you would receive at age 66, your full retirement age, **excluding any cost-of-living adjustments for which you may be eligible**. If you continue working past age 62, your additional earnings could increase your benefit. People born after 1944 can use this worksheet, but their actual benefit may be higher due to additional earnings and benefit increases. If you were born before 1944, please go online at ***www.socialsecurity.gov*** or contact us for your worksheet.

Step 1: Enter your actual earnings in Column B, but not more than the amount shown in Column A. If you have no earnings, enter "0."

Step 2: Multiply the amounts in Column B by the index factors in Column C, and enter the results in Column D. This gives you your indexed earnings, or the approximate value of your earnings in current dollars.

Step 3: Choose from Column D the 35 years with the highest amounts. Add these amounts. $_____

Step 4: Divide the result from Step 3 by 420 (the number of months in 35 years). Round down to the next lowest dollar. This will give you your average indexed monthly earnings. $_____

Step 5: a. Multiply the first $656 in Step 4 by 90%. $_____

b. Multiply the amount in Step 4 over $656 and less than or equal to $3,955 by 32%. $_____

c. Multiply the amount in Step 4 over $3,955 by 15%. $_____

Step 6: Add a, b and c from Step 5. Round down to the next lowest dollar. This is your estimated monthly retirement benefit at age 66, your full retirement age. $_____

Step 7: Multiply the amount in Step 6 by 75%. This is your estimated monthly retirement benefit if you retire at age 62. $_____

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1951	$3,600		12.74	
1952	3,600		11.99	
1953	3,600		11.36	
1954	3,600		11.30	
1955	4,200		10.80	
1956	4,200		10.09	
1957	4,200		9.79	
1958	4,200		9.70	
1959	4,800		9.25	
1960	4,800		8.90	
1961	4,800		8.72	
1962	4,800		8.31	
1963	4,800		8.11	
1964	4,800		7.79	
1965	4,800		7.65	
1966	6,600		7.22	
1967	6,600		6.84	
1968	7,800		6.40	
1969	7,800		6.05	
1970	7,800		5.76	
1971	7,800		5.49	
1972	9,000		5.00	
1973	10,800		4.70	
1974	13,200		4.44	
1975	14,100		4.13	
1976	15,300		3.86	
1977	16,500		3.65	
1978	17,700		3.38	
1979	22,900		3.11	
1980	25,900		2.85	
1981	29,700		2.59	
1982	32,400		2.45	
1983	35,700		2.34	
1984	37,800		2.21	
1985	39,600		2.12	
1986	42,000		2.06	
1987	43,800		1.93	
1988	45,000		1.84	
1989	48,000		1.77	
1990	51,300		1.70	
1991	53,400		1.63	
1992	55,500		1.55	
1993	57,600		1.54	
1994	60,600		1.50	
1995	61,200		1.44	
1996	62,700		1.38	
1997	65,400		1.30	
1998	68,400		1.24	
1999	72,600		1.17	
2000	76,200		1.11	
2001	80,400		1.08	
2002	84,900		1.07	
2003	87,000		1.05	
2004	87,900		1.00	
2005	90,000		1.00	

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