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FERS Retirement Handbook

2002 FERS Retirement Handbook

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Overview

Retirement is a time for reflection, rest, and enjoyment. But a rewarding retirement doesn't just happen. It takes careful planning. Knowing when you can retire and where you will stand financially are important parts of that planning process. The financial security you will have in the future depends, in part, on the plans you make today.

Recognizing the importance of your future, the federal government offers a retirement program that helps provide financial security for you and your family. Your participation in the Federal Employees Retirement System (FERS) is one of the most important benefits you receive as a federal employee.

FERS is a "portable" retirement system, so that if you leave federal employment, you may still qualify for the benefits. FERS is flexible; you will be able to choose what is best for your individual situation. And FERS enables you to take an active role in securing your future. This handbook highlights the main features of FERS.

History of FERS

The Federal Employees Retirement System became effective January 1, 1987. Almost all new employees hired after December 31, 1983 are automatically covered by FERS. Certain other federal employees not covered by FERS have the option to transfer into the plan. FERS is a three-tiered retirement plan. The three components of the plan are:

- Social Security Benefits
- Basic Benefit Plan
- Thrift Savings Plan

As a federal employee covered by FERS, you pay full Social Security taxes and make a small contribution to the Basic Benefit Plan. In addition, your agency puts an amount equal to 1% of your basic pay each pay period into your Thrift Savings Plan (TSP) account. You are able to make tax-deferred contributions to the TSP and a portion of your TSP contributions is matched by the government.

The three components of FERS – Social Security benefits, the Basic Benefits plan, and the TSP - are intended to work together to give you a strong financial foundation for your retirement years.

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Social Security Benefits

The first part of your FERS benefit is Social Security. The term “Social Security” means benefit payments provided to workers and their dependents who qualify as beneficiaries under the Old-Age Survivors, and Disability Insurance (OASDI) programs of the Social Security Act. OASDI replaces a portion of earnings lost as a result of retirement, disability, or death. It is designed to provide benefits that replace a greater percentage of earnings for lower-paid workers than for higher-paid workers. Consequently, Thrift Plan savings are more important for higher-paid workers than lower-paid workers.

As an employee with FERS coverage, you have Social Security coverage. You also are covered under Social Security’s Medicare Hospital Insurance program. This pays a portion of hospital expenses incurred while you are receiving Social Security disability benefits or retirement benefits at age 65 or older.

Social Security programs provide:

- Monthly benefits if you are retired and have reached at least age 62, and monthly benefits during your retirement for your spouse and dependents if they are eligible;
- Monthly benefits if you become totally disabled for gainful employment and benefits for your spouse and dependents if they are eligible during your disability;
- Monthly benefits for your eligible survivors; and
- A lump sum benefit upon your death.

To become eligible for benefits, you and your family must meet different sets of requirements for each type of benefit. An underlying condition of payment of most benefits is that you have paid Social Security taxes for the required period of time. Anyone born in 1929 or later needs 40 credits to be eligible for Social Security retirement benefits.

Each year the amount of earnings needed for one credit rises as average earnings levels rise. In 2001, you received one credit for each $830 of earnings, up to the maximum of four credits per year. In 2002, you need $870 of earnings to receive one credit. The credits you earn remain on your Social Security record even if you change jobs or have no earnings for a while.

If you’re like most people, you will earn many more credits than you need to qualify for Social Security. These extra credits do not increase your Social Security benefit. However, the income you earn while working will increase your benefit.

The amount of monthly Social Security benefits you receive is based on three fundamental factors:

- Average earnings upon which you have paid Social Security taxes, which are adjusted over the years for changes in average earnings of the American work force;
- Family composition (for example, whether you have a spouse or dependent child who may be eligible for benefits); and
- Consumer Price Index (CPI) changes that occur after you become entitled to benefits.

Benefits are subject to individual and family maximums.

Once benefits begin, their continuation may depend upon your meeting a variety of conditions. For example, if you have earnings that exceed specified amounts while you are under age 65, your Social Security benefits will be reduced or stopped.

There are also special Social Security rules that may affect the benefits of federal employees, including FERS participants. If you previously had some service that was covered by the Civil Service Retirement System (CSRS) (or another similar retirement system for federal employees), your Social Security benefits may be affected by the Windfall Elimination Provision. If you transferred to FERS and do not complete 5 years of service under FERS, any spousal benefit you are entitled to under Social Security may be reduced because of the Government Pension Offset. Your personnel office can help you determine the effects of the Windfall Elimination Provision and/or the Government Pension Offset, if they are applicable in your case.

Social Security Taxes
Most of the cost of Social Security is paid for through payroll taxes. Each year you pay a percentage of your salary up to a specified earnings amount called the maximum taxable wage base. The federal government, as your employer, pays an equal amount. The percentage you each pay for old age, survivor, and disability insurance coverage is 6.20% of your earnings up to the maximum taxable wage base.

The maximum taxable wage base is $84,900 in 2002. It increases automatically each year based on the yearly rise in average earnings of the American work force.

The Social Security tax covers both the Old Age, Survivors, and Disability Insurance (OASDI) and Medicare Hospital Insurance programs. The Medicare portion you and your agency each pay is 1.45% of your total pay. All wages are subject to the deduction for Medicare.

Estimating Your Retirement Benefits
Your Social Security benefit amount is based on your earnings averaged over most of your working career. Higher lifetime earnings result in higher benefits. If you have some years of no earnings or low earnings, your benefit amount may be lower than if you had worked steadily.

Your benefit amount also is affected by your age at the time you start receiving benefits. If you start your retirement benefits at age 62 (the earliest possible retirement age), your benefit will be lower than if you waited until a later age. This is explained in more detail below.

The easiest way to obtain a personalized Social Security benefit estimate is to request one from the Social Security Administration. Call the agency's toll-free number, **1-800-772-1213**, to ask for a Form-7004, “Request for Earnings and Benefit Estimate Statement.” Within four to six weeks after you complete and return the form, you will receive a statement of your earnings record and estimates of your Social Security benefits for early retirement, full retirement, and retirement at age 70. You will also be given an estimate of the disability benefits you could receive if you become severely disabled before you're eligible for full retirement, as well as the amount of benefits payable to your spouse and other eligible family members due to your retirement, disability, or death. If you’re age 60 or older, you can get an estimate of your retirement benefits by calling the same toll-free number above. If you have access to the Internet, you can request a “Personal Earnings and Benefit Estimate” from the Social Security Administration’s web site at http://www.ssa.gov. Your statement will be mailed to you within four weeks.

Full Retirement Age

The usual retirement age for people retiring now is age 65. Social Security calls this “full retirement age,” and the benefit amount that is payable is considered the full retirement benefit. Because of longer life expectancies, the full retirement age is increasing gradually until it reaches age 67. This change starts in the year 2003, and it affects people born in 1938 and later. The table below will tell you your full retirement age.

Early Retirement

You can start your Social Security benefits as early as age 62, but the benefit amount you receive will be less than your full retirement benefit. If you take early retirement, your benefits will be permanently reduced based on the number of months you will receive checks before you reach full retirement age. If your full retirement age is 65, the reduction for starting your Social Security at age 62 is about 20 percent; at age 63, it is about 13-1/3 percent; and at age 64, it is about 6-2/3 percent.

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

If your full retirement age is older than 65 (that is, you were born after 1937), you still will be able to take your retirement benefits at age 62, but the reduction in your benefit amount will be greater than it is for people retiring now.

Note: Sometimes poor health forces people to retire early. If you are unable to continue working because of poor health, 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 SSA to ask for a copy of the booklet, "Disability Benefits" (Publication No. 05-10029).

Delayed Retirement

Not everyone retires at full retirement age. You may decide to continue working full time beyond that time. In that case, you can increase your Social Security benefit in two ways. Each additional year you work adds another year of earnings to your Social Security record. Higher lifetime earnings may result in higher benefits when you retire.

In addition, your benefit will be increased by a certain percentage if you delay retirement. These increases will be added in automatically from the time you reach your full retirement age until you start taking your benefits, or you reach age 70. The percentage varies depending on your year of birth. See the chart below for the increase that will apply to you.

For example, if you were born in 1943 or later, 8 percent per year (2/3 of 1 percent per month) is added to your benefit for each year you delay signing up for Social Security beyond your full retirement age.

Increases For Delayed Retirement

Year of Birth	**Yearly Rate of Increase**
1917-1924	3.0%
1925-1926	3.5%
1927-1928	4.0%
1929-1930	4.5%
1931-1932	5.0%
1933-1934	5.5%
1935-1936	6.0%
1937-1938	6.5%
1939-1940	7.0%
1941-1942	7.5%
1943 or later	8.0%
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.	

Choosing Your Retirement Date

If you plan to start your retirement benefits after age 62, 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 additional benefits for you and your family. It may be to your advantage to have your Social Security benefits start in January, even if you don't 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.

If you are not working, or your annual earnings are under the earnings limits explained below, or you plan to start collecting your Social Security when you turn 62, you should apply for benefits three months before the date you want your benefits to start.

Because the rules are complicated, you should discuss your plans with a Social Security claims representative in the year before the year you plan to retire.

Signing Up For Benefits

Call the Social Security Administration's toll-free number, **1-800-772-1213**, to apply for benefits or to 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 don't delay in applying for benefits because you don't have all the information. If you don't have a document you need, the SSA will 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 applying for children's benefits;
- Proof of U.S. citizenship or lawful alien status if you (or a spouse or child is applying for benefits) were not born in the U.S.; and
- The name of your bank and your account number so your benefits can be directly deposited into your account.

You will need to submit original documents or copies certified by the issuing office. You can mail or take them to Social Security. They will make photocopies and return your documents.

If You Work And Get Social Security 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 affect 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 – age 65 for persons born before 1938 and gradually increasing to age 67 for persons born in 1960 or later.

Here’s how it works:
If you’re under full retirement age, $1 in benefits will be deducted for each $2 in earnings you have above the annual limit. For 2001, the annual limit was $10,680 per year, or $890 per month. For 2002, the annual limit is $11,280 per year, or $940 per month.

In the year you reach your full retirement age, your benefits will be reduced $1 for every $3 you earn over a different annual limit until the month you reach full retirement age. For 2001, the annual limit for this group was $25,000 per year, or $2,084 per month. For 2002, the limit is $30,000 per year, or $2,500 per month. (Note that these limits apply only to earnings for months prior to attaining age 65. There is no limit on earnings beginning the month the individual attains age 65.)

You should also be aware that as of January 2000, the Retirement Earnings Test has been eliminated for individuals ages 65-69. It remains in effect for those ages 62 through 64. A modified test, as explained above, applies for the year an individual reaches age 65. This change was a result of the Senior Citizens’ Freedom to Work Act of 2000, signed into law on April 7, 2000.

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Basic Benefit Plan

The second part of FERS is the Basic Benefit plan. If you were automatically covered by FERS, or you elected to transfer from CSRS to FERS, you will participate in the Basic Benefit plan.

Vesting
To be "vested," or eligible to receive your retirement benefits from the Basic Benefit plan if you leave federal service before retiring, you must have at least 5 years of creditable civilian service. Survivor and disability benefits are available after 18 months of civilian service.

Creditable Service
Creditable service generally includes:

- Federal civilian service for which contributions have been made or deposited.
- Military service, subject to a deposit requirement. To receive credit for military service, generally, you must deposit 3% of your military base pay. Interest begins 2 years after you are hired. With certain exceptions, you cannot receive credit for military service if you are receiving military retired pay. Also, see the note that follows on credit for National Guard service.
- Leaves of absence for performing military service or while receiving workers' compensation.

Unused sick leave is not converted into creditable service for any purpose. (There is a limited exception for CSRS employees who transfer to FERS.) Credit is not allowed for civilian service after 1988 when no contributions were withheld.

<u>Note:</u> Service in the National Guard, except when ordered to active duty in the service of the United States, is generally not creditable. However, you may receive credit for National Guard service, followed by federal civilian reemployment that occurs after August 1, 1990, when all of the following conditions are met:

- The service must interrupt civilian service creditable under FERS or CSRS and be followed by reemployment in accordance with the appropriate chapter of the laws concerning Veterans Benefits; and
- It must be full-time (and not inactive duty), and performed by a member of the U.S. Army National Guard, or U.S. Air National Guard; and
- It must be under a specified law and you must be entitled to pay from the U.S. (or have waived pay from the U.S.) for the service.

The deposit for National Guard service that meets these criteria is limited to the amount that would have been deducted from your pay for retirement if you had remained in the civilian service.

Contributions
Your contribution to the Basic Benefit Plan is the difference between 7% of your basic pay and Social Security's old age, survivor, and disability insurance tax rate, or 0.80%.

Refunds
You may withdraw your basic benefit contributions if you leave federal employment. However, if you do, you will not be eligible to receive benefits based on service covered by the refund. There is no provision in the law for the redeposit of FERS contributions that have been refunded.

Retirement Options
There are three categories of retirement benefits in the Basic Benefit Plan:

* Immediate or Postponed
* 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. The following chart shows the MRA.

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 or Postponed Retirement

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*

* But you will receive a reduced benefit unless you postpone receipt of your retirement benefits to lessen or eliminate the age reduction. “Reduced benefit” means if you retire at the minimum retirement age with at least 10 but fewer than 30 years of service, your benefit will be reduced at the rate of 5/12’s of 1% for each month (or 5% for each year) you are under age 62, unless you have 20 years of service and your annuity begins at age 60 or later. You can avoid part or all of the reduction by postponing the commencing date of your annuity.

Early Retirement

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 Retirement

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 meet one of the following sets of age and service requirements:

Age	Years of service
62	5
60	20
MRA	30
MRA	10*

* Again, you will receive a reduced benefit unless you postpone receipt of your retirement benefits to lessen or eliminate the age reduction. “Reduced benefit” means if you retire at the minimum retirement age with at least 10 but fewer than 30 years of service, your benefit will be reduced at the rate of 5/12’s of 1% for each month (or 5% for each year) you are under age 62, unless you have 20 years of service and your annuity begins at age 60 or later. You can avoid part or all of the reduction by postponing the commencing date of your annuity.

Benefit Formula
How your benefit is calculated:

Your benefit is based on your “high-3 average pay.” This is figured by averaging your highest basic pay over any 3 consecutive years of creditable service. This is usually – but not always – your last three years of federal service.

Generally, your benefit is calculated according to this formula:

1% of your high-3 average pay
multiplied by
years of creditable service.

If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%.

To determine your length of service for computation, add all of your periods of creditable service, then eliminate from the total any fractional part of a month (less than 30 days).

Depending on the category of retirement benefits you receive, your benefit may be reduced as described in the “Retirement Options” section above. For example, the total could be reduced if you elect to retire at the minimum retirement age before completing 30 years of service.

Special Retirement Supplement
If you meet certain requirements, you will receive a Special Retirement Supplement, which is paid as an annuity until you reach age 62. This supplement approximates the Social Security benefit earned while you were employed by the federal government. You may be eligible for a Special Retirement Supplement if you retire:

- After the Minimum Retirement Age (MRA) with 30 years of service;
- At age 60 with 20 years of service; or
- Upon involuntary or early voluntary retirement (age 50 with 20 years of service, or at any age with 25 years of service) after OPM determines that your agency is undergoing a major reorganization, reduction-in-force (RIF) or transfer of function. You will not receive the Special Retirement Supplement until you reach your MRA.

If you transfer to FERS from CSRS, you must have at least one full calendar year of FERS-covered service to qualify for the supplement.

If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your Special Retirement Supplement will be reduced or stopped.

Survivor Benefits
The Basic Benefit Plan provides benefits for survivors of federal employees and retirees.

<u>Spouse</u>
If You Die While You Are An Employee:
If you are married, have 18 months of civilian service, and die while you are an active employee, your surviving spouse receives:

A lump sum payment
plus
the higher of
1/2 of your annual pay rate at death
or
1/2 of your high-three average pay.

The lump sum payment increases by cost-of-living adjustments each year.

If you had 10 years of service, your spouse also receives an annuity equaling 50% of your accrued basic retirement benefit. These benefits are paid in addition to any Social Security, group life insurance, or savings plan survivor benefits.

To be eligible for benefits, you and your spouse must have been married for at least 9 months, or there must be a child born of the marriage, or your death must be accidental.

If You Die While You Are A Retiree:
A married retiree's annuity is automatically reduced to provide spouse survivor benefits unless those benefits are jointly waived in writing by the retiree and the spouse before retirement.

Your annuity is reduced 10% to give your surviving spouse:

An annuity of 50% of your unreduced benefit
plus
a special supplemental annuity payable until age 60, if your spouse will not be eligible for Social Security survivor benefits until age 60.

You and your spouse may choose instead to have your annuity reduced by 5% to give your spouse an annuity of 25% of your unreduced benefit at your death.

Separate provisions apply to spouses of disabled annuitants.

Former Spouses
A former spouse may receive survivor benefits as provided in a retiree election or a qualifying court order.

Children
If you have 18 months of civilian service and die while you are an active employee, or if you have retired, your children may be eligible to receive an annuity. This benefit is payable to each unmarried child:

* up to age 18;
* up to age 22 if a full-time student;
* at any age if the child became disabled before age 18.

The amount of the FERS benefit depends on the number of children and if the children are orphaned. The total children's benefit is reduced dollar for dollar by any Social Security children's benefits that may be payable.

Disability Benefits
FERS disability benefits can help you replace part of your income if you are unable to work for a prolonged period.

Defining "Disability"
You are considered disabled under FERS if you are unable to perform useful and efficient service in your position because of disease or injury. However, you will not be considered disabled if you decline your agency's offer of a position which accommodates your disability and is at the same grade or pay level and is within your commuting area.

You may also qualify for Social Security disability benefits if you are unable to work in any substantial gainful activity.

Eligibility
To qualify for FERS disability benefits, your disabling condition must be expected to last at least one year, and you must have at least 18 months of creditable civilian service.

The Benefits

The first year, your disability benefits will be:

60% of your high-3 average pay
minus
100% of any Social Security disability benefits to which you are entitled.

After the first year and until age 62, if your disability prevents you from performing your job and you do not qualify for Social Security disability benefits, your benefit will be 40% of your high-3 average pay.

If you do qualify for Social Security benefits, your FERS disability benefit will be reduced by 60% of the Social Security benefit to which you are entitled. The resulting total you receive from both FERS and Social Security will be at least 40% of your high-3 plus 40% of your Social Security disability benefits.

If your earned annuity rate (1% x high-3 average salary x years of service) is higher than the above rates after the reduction for Social Security, you will receive the higher benefit.

When you reach age 62, your disability benefit will be recomputed. Essentially, you will receive the annuity you would have received if you had not been disabled, but had continued working until age 62. For purposes of this recomputation, your average salary will be increased by all FERS cost-of-living adjustments that took effect while you were receiving a disability annuity.

If you are a disability retiree under age 60 and your total income from work in a calendar year exceeds 80% of the current pay level of your former job, the disability benefits will be discontinued. You also may be required to provide proof periodically that you have not recovered from your disability.

Cost-of-Living Adjustments (COLA's)
Survivors and disability retirees receive a COLA regardless of their ages. However, disability retirees receiving 60% of their average pay do not receive a COLA during the first year. All other retirees begin to receive COLA's at age 62.

The amount of the annual COLA percentage is based on the increase in the Consumer Price Index (CPI):

Increase in CPI	Annual COLA Percentage
Up to 2%	Same as CPI increase
2% to 3%	2%
3% or more	CPI increase minus 1%

Under FERS and FERS Special, the January 2002 COLA will be 2.0 percent for those who have received benefits for at least one year. If your monthly annuity began in January 2001 or later, however, your COLA will be between 1.8 percent and 0.2 percent, depending on the month the annuity started. See Appendix A of this Handbook, "January 2002 Cost-of-Living Adjustment" for these figures, and for more information.

Note that the Special Retirement Supplement for retirees is not increased by COLA's. The supplement for survivors is increased by COLA's.

Form of Payment
FERS Basic Benefits are a monthly annuity that is paid the first business day of the month after it accrues. For example, the payment for December is made on January 2.

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Thrift Savings Plan

The third part of your FERS benefit is the Thrift Savings Plan (TSP). The TSP is a tax-deferred retirement savings and investment plan that offers you the same type of savings and tax benefits that many private corporations offer their employees under 401(k) plans. By participating in the TSP, you have the opportunity to save part of your income for retirement, receive matching agency contributions, and reduce your current taxes.

Your thrift account is the part of your retirement that you control - you decide how much of your pay to put in your thrift account, how to invest it, and, when you retire, you decide how you want your money paid out.

The best way to assure that your retirement income meets your needs is to start investing in the Thrift Savings Plan at the beginning of your federal service, and to continue to do so throughout your career. It is particularly important for higher-paid employees to save enough through the TSP since Social Security replaces less income of higher-paid workers than it does for lower-paid workers.

Eligibility

All federal employees covered by FERS are eligible to participate in the TSP. However, if you are a newly hired FERS employee, you must wait a certain period of time - generally, 6 to 12 months - before you can begin to participate in the TSP. If you are a rehired FERS employee, when you can begin to participate in the TSP depends upon your previous TSP eligibility. Ask your personnel office when you will become eligible to participate in the plan.

Contributions

Once you become eligible to participate in the Thrift Savings Plan, there are three types of contributions that may be made to your account:

* Agency Automatic 1% Contributions
* Employee Contributions
* Agency Matching Contributions

<u>Agency Automatic (1%) Contributions</u>

Your agency will set up a thrift account for you and will automatically contribute an amount equal to 1% of your basic pay each pay period. These Agency Automatic (1%) Contributions are not taken out of your salary, and your agency makes these contributions whether or not you contribute your own money to the TSP.

<u>Employee Contributions</u>

You may make your own contributions to the TSP through payroll deductions. The money you contribute is taken out of your pay before federal and, in almost all cases, state income taxes are calculated. In 2002, you will be able to contribute up to 12% of your basic pay per pay period, up to the annual Internal Revenue Service limit of $11,000. (CSRS enrollees will be able to contribute up to 7% of basic pay per pay period up to the $11,000 IRS limit.) In subsequent years, the percentage of basic pay that you can contribute will increase by 1% each year. In 2006, the percentage limit will be eliminated entirely, and you will be able to contribute as much as allowed by the IRS. You can contribute either a percentage of your basic pay or a whole dollar amount - even as little as $1 per pay period.

<u>Agency Matching Contributions</u>
When you make employee contributions, your agency will make matching contributions to your TSP account according to the following schedule:

Your Agency	**Contribution Match**
First 3% of Basic Pay	$1.00 for each $1.00 you contribute
Next 2% of Basic Pay	$0.50 for each $1.00 you contribute
Next 5% of Basic Pay	$0

The agency matching contributions are not taken out of your salary. They are an extra benefit to you. While your agency will only provide matching contributions on your contributions up to 5% of your basic pay each pay period, you still benefit from before-tax savings and tax-deferred earnings on amounts you contribute in excess of 5% of your basic pay each pay period.

<u>When Agency Contributions Begin</u>
As stated above, new FERS employees must wait a specified period before they can begin receiving agency contributions. Depending on when you were hired as a FERS employee, your eligibility for agency contributions begins as follows:

If you were hired:	You are eligible for Agency Automatic (1%) and Matching Contributions:
July 1 - December 31, 2000	First full pay period in July 2001
January 1 - June 30, 2001	First full pay period in January 2002
July 1 - December 31, 2001	First full pay period in July 2002
January 1 - June 30, 2002	First full pay period in January 2003

Vesting Requirement
When you separate from federal service, you must meet the Thrift Plan vesting requirement to be entitled to, or vested in, your Agency Automatic (1%) Contributions and associated earnings. For most employees, this vesting requirement is 3 years of federal, generally civilian, service.

Congressional employees and certain other non-career employees must complete 2 years of federal, generally civilian, service. Employees who die in service are automatically vested in their Agency Automatic (1%) Contributions. You are immediately vested in your own contributions and your Agency Matching Contributions and in the earnings associated with these contributions.

Investment Options

There are five Thrift Savings Plan investment Funds: the G Fund, the F Fund, the C Fund, the S Fund, and the I Fund. The Funds differ in the rate of return and amount of risk involved. You may invest any percentage of future contributions to your account in any of the five investment Funds. You can also transfer any portion of your existing account balance among the five Funds. The five Funds are described briefly below.

The G Fund. The Government Securities Investment Fund is invested in short-term non-marketable U.S. Treasury securities that are specially issued to the TSP. The G Fund interest rate equals the average of market rates of return on U.S. Treasury securities outstanding with 4 or more years to maturity.

There is no credit risk (risk of non-payment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (risk that investments may fluctuate in value as interest rates change) is eliminated by the Board's current policy of investing the G Fund in short-term rather than longer-term securities. However, G Fund rates of return may well be lower than those of the C and F Funds over the long term.

The F Fund. The Fixed Income Index Investment Fund is invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index. This index consists primarily of high-quality fixed-income securities representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market.

The F Fund offers the opportunity for increased rates of return relative to the G Fund over the long term, especially in periods of generally declining interest rates. At such times, the values of the longer-term bonds held in the F Fund should increase, unlike those of the short-term securities held in the G Fund. Unlike the G Fund, the F Fund carries credit risk and market risk. The F Fund also has the potential for negative returns, which would result in losses.

The C Fund. The Common Stock Index Investment Fund is a large company stock fund. The C Fund tracks the Standard & Poor's 500 (S&P 500) stock index, which consists of the common stocks of 500 companies that are traded in the U.S. stock markets.

The C Fund gives you the opportunity to diversify your investment by investing in a variety of large companies. The risk of investing in the C Fund is that the value of stocks can decline sharply, and the total return on the C Fund could be negative, resulting in a loss.

The C, S, and I Funds (the S and I Funds are discussed below) are stock index funds. These three funds give you the opportunity to diversify your investments among a broad range of stocks. The advantages of investing in a TSP stock index fund are: (1) the opportunity to earn the relatively high investment returns that are sometimes available from stocks; (2) less effect on overall returns from the poor performance of an individual company or industry; (3) relatively low investment management fees and trading expenses. The risk of investing in a stock index fund is that it may experience a sharp decline with unfavorable changes in overall economic conditions. The total return on a stock fund could be negative, resulting in a loss.

The S Fund. The Small Capitalization Stock Index Investment Fund is the TSP's medium and small company stock fund. The S Fund tracks the Wilshire 4500 stock index, which consists of the common stocks of smaller companies not included in the S&P 500 index.

The S Fund gives you the opportunity to diversify your stock investments. The Wilshire 4500 index is the broadest measure of the U.S. stock markets that excludes the companies in the S&P 500 index. Thus, the S Fund in combination with the C Fund covers virtually the entire U.S. stock market.

The risk of investing in the S Fund is that stocks of mid-size and smaller companies tend to be more volatile, and therefore potentially riskier, than stocks of the larger companies in the C Fund's S&P 500 index.

The I Fund. The International Stock Index Investment Fund is the TSP's international stock fund. The I Fund tracks the Europe, Australasia, and Far East (EAFE) stock index, which consists of common stocks of large international companies in 20 countries. The I Fund gives you the opportunity to diversify your stock investments by participating in international stock markets.

The risks of investing in the I Fund are that, historically, I Fund investments tend to be more volatile, and therefore riskier, than C or S Fund investments. In addition, international investments carry the risk of foreign currency fluctuations.

If you choose to invest in the F, C, S, or I Fund, you must sign a statement that you acknowledge the risks involved. There is no assurance that future rates of return will replicate previous rates of return.

Contributing to the TSP

To begin contributing to the Thrift Savings Plan, you must complete an Election Form (TSP- l), which is available from your agency personnel office. You will use the form to show how much you want to contribute each pay period. If you are a current federal employee, submit Form TSP-1 to your agency personnel office during any TSP open season. There are two open seasons each year - May 15 to July 31 and November 15 to January 31. Alternatively, if you were hired after June 30, 2001, you may submit Form TSP-1 during the first 60 days after your employment. (Some agencies may be using an electronic version of the form. Check with your personnel office.) Your agency will deduct your contributions from your pay each pay period. You can stop your contributions at any time.

Tax Advantages

There are two major tax advantages to the TSP. First, you pay current federal income taxes on your salary after your TSP contributions have been deducted. This means that your contributions to the TSP will reduce your taxable income. Second, you do not pay current federal income taxes on your TSP earnings. Additionally, since most states allow the same pre-tax and tax deferred savings on their income taxes, you will likely reduce your state income taxes as well. These tax advantages continue until you withdraw your account balance - usually at retirement when your tax bracket may be lower. If you leave federal service before you are eligible to retire, you may transfer your account balance to an Individual Retirement Arrangement (IRA) Account or other eligible retirement plan and continue to defer taxes.

TSP Loan Program
If you have at least $1,000 of your own contributions (including associated earnings) in your account, you may borrow from it.

There are two types of TSP loans: general purpose, which does not require you to document or specify the purpose of your loan, and residential, which is only for the purchase of a primary residence. You pay interest on the loan at the G Fund rate in effect at the time your application is received. Both the principal and the interest you pay go back into your own TSP account.

Withdrawing Your TSP Funds
Since the TSP is a long-term plan for retirement savings, generally you cannot withdraw funds from your TSP account until you separate from federal service.

<u>Withdrawal Options</u>
After you separate from federal service, there are three basic ways to withdraw your account:

* Have the Thrift Plan purchase a life annuity for you.
* Receive your account in a single payment.
* Receive your account in a series of monthly payments.

You can have the TSP transfer all or a part of a single payment or, in some cases, a series of monthly payments, to an Individual Retirement Arrangement (IRA) or other eligible retirement plan.

<u>Leaving Your Money in the TSP</u>
If you do not want to withdraw your account when you leave federal service, you can leave your entire account balance in the TSP. However, you must withdraw your TSP account or begin receiving monthly or annuity payments by April 1 of the year following the year you reach age 70 1/2.

<u>Automatic Cashout</u>
After you separate from federal service, if your vested account balance is $3,500 or less, your entire account will be paid to you automatically in a single payment unless you elect another withdrawal option or elect to leave your money in the TSP. The TSP will notify you before automatically cashing out your account and allow you the opportunity to elect as specified above.

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Special Groups of Employees

Firefighters, Law Enforcement Officers, and Air Traffic Controllers
Under FERS, these groups of employees receive an unreduced benefit at age 50 with 20 years of service, or at any age with 25 years of service. If you are in one of these employee groups, you contribute an additional 0.5% of pay to FERS. Your annual annuity is:

1.7% of your high-3 average pay
times
years of service
plus
1.0% of your high-3 average pay
times
years of service exceeding 20.

You also receive a Special Retirement Supplement until age 62 that approximates the Social Security benefit earned in federal service. After you reach the Minimum Retirement Age (MRA), if you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your supplement will be reduced or stopped. In addition, you are entitled to an annual Cost-of-Living Adjustment (COLA), regardless of your age.

Military Reserve Technicians
If you are a military reserve technician who loses the military status required to maintain your position, you may retire and receive an unreduced annuity if you are at least age 50 with 25 years of service. In addition, a Special Retirement Supplement is payable until age 62. After you reach your Minimum Retirement Age (MRA), if you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your supplement will be reduced or stopped.

Part-Time Employees
In calculating the annuity for employees with part-time service, the average high-3 consecutive years of pay will be based on the full-time pay rate. The benefit based on the full-time rate is reduced according to the part-time schedule.

Members of Congress and Congressional Employees
Members of Congress receive an unreduced annuity at age 50 with 20 years of service, or at any age with 25 years of service. Congressional employees must meet the age and service requirements explained previously in the "Basic Benefit Plan" chapter.

If you are a Member of Congress or a Congressional employee with at least 5 years of Congressional service, your annuity will be:

1.7% of high-3 average pay
times
years of Congressional service up to 20
plus
1.0% of high-3 average pay
times
any other service.

A Special Retirement Supplement is payable from the Minimum Retirement Age to age 62. If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your supplement will be reduced or stopped.

Cost-of-Living-Adjustments (COLA's) are payable to Congressional retirees before age 62 only if they retire for disability. Members of Congress and Congressional employees contribute an additional 0.5% of pay to FERS.

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Enrolling in FERS

New Employees
Most new employees hired after December 31, 1983 are automatically covered by FERS. The exceptions are employees in appointments that are limited to 1 year or less, most intermittent employees, anyone who is not eligible for Social Security coverage, or certain persons with non-federal service that is creditable under CSRS.

Rehires and Conversions
The general rules on whether you are covered by CSRS, CSRS Offset, or FERS after a break in service or conversion from one type of appointment to another are stated below. Check with your personnel office to determine just how those rules apply to you.

If you leave federal government service and return within 1 year and you were previously covered under CSRS (without Social Security), then you will generally be covered by CSRS upon reemployment. However, you may elect within 6 months of reemployment to transfer to FERS, in which case you will also be covered by Social Security.

If you leave federal government service and return after more than 1 year and you were previously covered under CSRS, then you are automatically covered by Social Security and:

- If you have less than 5 years under CSRS, you are automatically covered by FERS.
- If you have 5 or more years under CSRS, you are covered by CSRS Offset. Your CSRS contributions are reduced by 100% of your Social Security Old-Age, Survivor Disability Insurance (OASDI) fund taxes. Your CSRS benefit will be offset by any Social Security benefit attributable to your federal service.

In determining whether you have 5 years of service that is creditable under CSRS, count all civilian service as of your last separation from service, even though it may not have been covered by CSRS deductions, or you may have received a refund of CSRS deductions. You will receive credit for your CSRS service if you make any payments for your past service that may be required.

If you are rehired under CSRS or CSRS Offset, you may elect to transfer to FERS within 6 months of reemployment. If you elect to transfer to FERS, the following rules apply:

- Your credit in CSRS is frozen, but your combined CSRS and FERS annuity will be based on the average of your highest 3 consecutive years of pay.
- You will receive a full CSRS cost-of-living adjustment on the CSRS portion of your annuity.

- Your service after the date of transfer is treated under the FERS rules. In addition, all of your service is treated under FERS rules if you have less than 5 years of non-Offset CSRS service when you transfer.
- All service (CSRS and FERS) counts toward years needed to be eligible for retirement, disability, survivor, and Saving Plan benefits under FERS.
- All survivor and disability benefits are paid under FERS rules.
- Unused sick leave is credited under CSRS rules based on the amount accumulated at the date of transfer or date of retirement, whichever is lower.
- You have Social Security coverage when you enroll in FERS.
- You will receive government contributions to your TSP account and avoid the 6-12 month waiting period for participation.

If you are converted from an appointment that is excluded from FERS coverage to an appointment that is not excluded, generally you will automatically be covered by FERS. If you are not automatically covered by the plan, you will have a 6-month opportunity to transfer to it.

Note: If you are eligible to elect FERS coverage because of being rehired or converted to a different appointment, you should consult with your personnel office for guidance.

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Applying for Immediate Retirement

This chapter is for you if you are currently a federal employee covered by FERS, and you want to apply for retirement with an immediate annuity (an annuity beginning within 30 days after the date of final separation from federal service). This includes individuals who transferred to FERS from the Civil Service Retirement System (CSRS) and who are eligible to have part of their annuity computed under CSRS rules.

This chapter does not apply to you if you are applying for a deferred annuity. A deferred annuity begins more than 30 days after the date of final separation. If you want to apply for a deferred annuity, you should request an RI 92-19, "FERS Application for Deferred or Postponed Retirement" by writing to: U.S. Office of Personnel Management, Federal Employees Retirement System, P.O. Box 200, Boyers, PA 16017-0200.

Eligibility

Age and Service Requirements
The following chart outlines the requirements for an immediate annuity under FERS.

Type of retirement	Minimum Age	Minimum Service (Years)	Special Requirements
Optional	62	5	None
	60	20	None
	MRA*	30	None
	MRA*	10	None (Note: Annuity is reduced by 5% for each year the employee is under age 62.)
	Any Age 50	25 20	You must retire under special provisions for air traffic controllers, law enforcement or firefighter personnel.
	Any Age 50	25 20	The Office of Personnel Management must have determined that your agency is undergoing a major reorganization, reduction-in-force, or transfer of function.

Discontinued Service	Any age 50	25 20	Your separation must be involuntary and not for misconduct or delinquency.
Disability	Any Age	18 months	You must be disabled for useful and efficient service in both your current position and any other vacant position at the same grade or pay level for which you are qualified. Other requirements must also be met.

* Minimum Retirement Age.

Minimum Retirement Age (MRA)

The Minimum Retirement Age depends on your year of birth. To determine your MRA, refer to the following table.

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

Age Reduction
If you have 10 or more years of service and are retiring at the Minimum Retirement Age, your annuity will be reduced for each month that you are under age 62. The reduction is 5 percent per year (5/12 of a percent per month). However, your annuity will not be reduced if you completed at least 30 years of service, or if you completed at least 20 years of service and your annuity begins when you reach age 60. You can reduce or eliminate this age reduction by postponing the beginning date of your annuity.

Postponing Annuity to Reduce the Age Reduction
You can reduce or eliminate the age reduction if you choose to have your annuity begin at a date later than your MRA. You can choose any beginning date between your MRA and 2 days before your 62nd birthday. However, you cannot begin your annuity while you are reemployed. Your agency retirement counselor can provide you with the annuity rates with and without the age deduction. If you decide to postpone the beginning date of your annuity, do not complete form SF 3107, "FERS Application for Immediate Retirement." Write to the Office of Personnel Management 60 days before the date you want your annuity to begin and request an RI92-19, "FERS Application for Deferred or Postponed Retirement." The address is: U.S. Office of Personnel Management, Federal Employees Retirement System, P.O. Box 200, Boyers, PA 16017-0200.

If you choose to postpone the beginning date of your annuity, you should be aware of the following:

Life Insurance
You cannot continue your life insurance coverage unless you are receiving an annuity. Therefore, if you postpone the beginning date of your annuity, your life insurance enrollment will terminate. When your annuity begins, the life insurance coverage you had when you separated from your employment will resume.

Health Insurance
If you postpone the beginning date of your annuity, you will be eligible to temporarily continue your health benefits coverage for 18 months from the date of separation from your employing agency. However, you must contact your agency within 60 days and pay the total premium, plus a 2% administrative charge. When your annuity payments begin, you will again have the opportunity to enroll in a health benefits plan under the regular Federal Employees Health Benefits Program, and OPM will pay the government share of the premium.

Cost-of-Living Adjustments (COLA's)
If you delay your annuity beginning date, your annuity rate will not include any cost-of-living adjustments (COLA's) that occur before you begin to receive the annuity. Once your annuity begins, you will be entitled to COLA's on any portion of your annuity that was computed under CSRS rules. However, you will not receive COLA's on the FERS part of your benefit until you are 62.

Survivor Benefits
If you defer receipt of your annuity and die before you begin to receive it, your spouse can still receive FERS survivor benefits.

Continuing Health and Life Insurance Into Retirement
If you wish to continue your Federal Employees Health Benefits (FEHB) and/or Federal Employees Group Life Insurance (FEGLI) coverage as a retiree, you must meet the following basic requirements. You must be retiring on an immediate annuity and you must have been enrolled in the program for the five years of federal service immediately preceding your retirement, or if less than five years, since your earliest opportunity to enroll. FEHB coverage as a family member counts toward the five-year requirement. Uniform Services Health Benefits Program coverage also counts, provided you are an FEHB enrollee when you retire.

If you are eligible to continue your FEHB coverage, your agency will automatically transfer your enrollment to OPM. You do not need to do anything unless you want to make some change in your coverage.

The pamphlet, RI 76-21, "FEGLI Federal Employees Group Life Insurance Program," has more information about eligibility to continue your FEGLI coverage as a retiree and the cost of coverage. If you are eligible to continue your FEGLI basic overage, you must complete an SF 2818, "Election of Post-Retirement Basic Life Insurance Coverage." Any optional FEGLI overage you have and are eligible to retain as a retiree will automatically be continued unless you make some change. Many people cancel all or a portion of their life insurance coverage at retirement due to its cost. Therefore, you should let OPM know at retirement if you do not want to continue a portion of your life insurance coverage. You may also want to file an SF 2823, "FEGLI Designation of Beneficiary" form. (The designation of beneficiary form for your FERS retirement contributions and any lump sum of accrued annuity is SF 3102.)

Based on the documentation your employing agency is required to submit with your retirement application, OPM will determine whether you are eligible to continue your health and life insurance coverage as a retiree. However, if you have any questions about your eligibility, ask your employing office for assistance before you retire.

Applying for Benefits

<u>Form to Use</u>
Use form SF 3107, "FERS Application for Immediate Retirement," to apply for immediate retirement. You can obtain the form from your employing agency.

<u>Submitting the Application</u>
Submit the completed application to your employing agency. Give your agency at least 60 days notice before the date you intend to retire. Your agency will then complete the Schedule D, "Agency Checklist of Immediate Retirement Procedures," and the SF 3107-1, "Certified Summary of Federal Service," which are included in the SF 3107, "FERS Application for Immediate Retirement."

Your agency will complete the SF 3107-1, "Certified Summary of Federal Service," and forward it to you for your review and signature. You should review it carefully before signing it. Any errors, omissions, or discrepancies will delay the processing of your application, and may result in incomplete credit for service in the initial computation of your annuity.

If you are applying for disability retirement, ask your employing agency for a copy of the forms package SF 3112, "Documentation in Support of Disability Retirement Application." Your agency will forward the application to OPM.

Address Changes Before Processing is Complete

If your address changes before you receive your claim number, write to OPM, giving your name, date of birth, and your social security number. If you have received your claim number, you can either telephone OPM or write to them to report your new address. You should refer to your claim number in any correspondence. You can phone OPM toll-free at 1-888-767-6738. Customers within local calling distance to Washington, D.C. should call (202) 606-0500. If you prefer to write, report your new address to:

U.S. Office of Personnel Management
ATTN: Change of Address
P.O. Box 440
Boyers, PA 16017-0440

In addition, notify your old post office of your forwarding address.

What Happens After You File Your Retirement Application

Your employing office will close out your records, using the Agency Checklist to assure that all necessary steps are taken. When this process (which includes paying you any unpaid compensation, such as for unpaid annual leave) has been completed, the agency will forward your application and records to OPM. You should receive a notice from your former employing agency when your application and records have been forwarded to OPM. In most cases, the agency should forward the retirement package to OPM so it is received within 30 days after your separation. Until OPM has received the application and supporting documents, OPM does not know that you have retired.

Note: Applications for disability retirement are processed differently. Your agency normally will forward your application, evidence supporting your claim of disability, and preliminary records to OPM for a disability determination based on a review of both medical and non-medical evidence.

After it receives your application, OPM will assign your claim number, which will begin with the letters "CSA." This number will be very important to you as a retiree because you will need to refer to it any time you write or call OPM in connection with your annuity.

When OPM finishes processing your application, they will send you a statement explaining your benefits. OPM will also send you a pamphlet called "Information for FERS Annuitants," RI 90-8, which contains information you will need after you retire, including how to contact OPM to make various changes (tax withholding, address, health benefits, etc.), the effect of other benefits (Social Security, Office of Workers' Compensation Program (OWCP)) on your FERS benefit, the effect of reemployment on your FERS benefit, and benefits payable upon your death.

Payments

Beginning Date of Annuity

The beginning date of most annuities is the first day of the month after separation. However, disability annuities and annuities based on military reserve technician provisions begin no later than the day after pay stops and all other requirements for title to annuity are met. Annuities based on involuntary separations begin on the day after separation.

Payment and Accrual of Annuity

All annuities are payable in monthly installments on the first business day of the month following the one for which the annuity has accrued. For example, payments for the month of June will be paid in your check dated July 1.

How to Have Annuity Payments Sent to a Bank or Financial Institution

Public Law 104-134 requires that most federal payments be paid by Direct Deposit through Electronic Funds Transfer (EFT) into a savings or checking account at a financial institution. However, if receiving your payment electronically would cause you a financial hardship, or a hardship because you have a disability, or because of a geographic, language or literacy barrier, you may invoke your legal right to a waiver of the Direct Deposit requirement, and continue to receive your payment by check.

Direct deposit helps you avoid the bother of traveling to a bank or other financial institution to cash or deposit your check. You may earn a few days extra interest each month, and save travel costs and time. Both you and OPM are saved the worry that checks will be lost in the mail. It also assures that payments are deposited and available for your use when you are away from home.

When you elect direct deposit, you will continue to receive other information at your mailing address. Complete Section H of SF 3107, "FERS Application for Immediate Retirement," to have your payments sent to a financial institution or to request a waiver of the direct deposit requirement. If you change to this option or change accounts after your payments begin, you should call OPM at 1-888-767-6738. Customers within local calling distance to Washington, D.C. should call (202) 606-0500. If you prefer, you can send form SF 1199A, "Direct Deposit Sign-Up Form," to OPM. You can obtain the form where you bank. Both you and your bank need to complete the form. Include your claim number on the form. It's a good idea to leave your old account open until you have verified that a payment has been deposited in your new one.

Federal Income Tax Withholding

If OPM does not receive a W-4 form from you indicating the rate at which (or a specific dollar amount) you want federal income tax withheld, tax will be withheld from your annuity at the rate for a married person with 3 exemptions. If you want to have the tax withheld at the rate currently being withheld from your salary, attach a copy of the W-4 form on file with your employing agency to your application for retirement. If you do not want federal income tax withheld from your annuity payments, indicate this in Section H of SF 3107, "Application for Immediate Retirement."

Survivor Benefits

Married Applicants

The maximum survivor benefit available is 50% of your unreduced annuity. Your annuity is reduced by 10% to provide this benefit. If you are married when your annuity begins, it will be computed with a reduction to provide maximum survivor benefits for your spouse upon your death. You can elect to provide a partial survivor benefit (25% of your unreduced annuity, with a 5% reduction in your annuity) or no survivor benefits. However, you must get your spouse's consent to elect either of these options. SF 3107-2, "Spouse's Consent to Survivor Election," which is part of form SF 3107, "FERS Application for Immediate Retirement," must be completed by your spouse and forwarded to OPM along with your application for retirement.

Note: Be aware that if your spouse is covered under your Federal Employees Health Benefits plan and you do not elect survivor benefits for your spouse, your spouse will not be eligible to continue this health benefits coverage after your death.

Waiving the Spousal Consent Requirement

OPM may waive the spousal consent requirement if you show that your spouse's whereabouts cannot be determined. A request for waiver on this basis must be accompanied by:

- a judicial determination that your spouse's whereabouts cannot be determined; or
- affidavits by you and two other persons, at least one of whom is not related to you, attesting to the inability to locate the current spouse and stating the efforts made to locate the spouse. You must also give documentary evidence, such as tax returns filed separately, or newspaper stories, about the spouse's disappearance.

OPM may also waive the spousal consent requirement if you present a judicial determination regarding the current spouse that would warrant waiver of the consent requirement based on exceptional circumstances. Note that illness or injury of the retiring employee is not justification for waiving the spousal consent requirement.

Electing a Survivor Annuity for a Former Spouse

To elect a survivor annuity for a former spouse, you must have been married to the person for a total of at least 9 months. A former spouse who remarries before reaching age 55 is not eligible for a former spouse survivor annuity.

You may elect to provide a survivor annuity for more than one former spouse. The total of the survivor annuities must equal either 25% or 50% of your unreduced annuity. Also, if you are married, you must have your spouse's consent to choose this option, because any benefit elected for a former spouse limits what can be elected for your current spouse. The maximum combined survivor benefit that can be elected for your current and former spouse(s) is 50% of your benefit.

Electing a Survivor Annuity for a Current Spouse When a Court Order Gives a Survivor Annuity to a Former Spouse

If a court order has given a survivor annuity to a former spouse, you still may make your election concerning a survivor annuity for your current spouse as if there were no court-ordered former spouse annuity. By electing survivor benefits for your current spouse at retirement, you can protect your spouse's rights in case your former spouse loses entitlement in the future (because of remarriage before age 55, death, or under the terms of the court order). Another option that you should consider is outlined under "Electing an Insurable Interest Annuity for a Current Spouse When a Court Order Gives a Survivor Annuity to a Former Spouse." The following paragraphs explain in more detail how your election at the time of retirement can affect your current spouse's future rights if the court has given a survivor annuity to a former spouse.

If a court order gives a survivor annuity to a former spouse, your annuity will be reduced to provide it. If you elect a survivor annuity for your current spouse (or another former spouse), your annuity will be reduced no more than it would be to provide a survivor annuity equal to 50% of your unreduced annuity. Your current spouse will be eligible for any portion of the benefit not ordered for the former spouse.

If you die before your current and former spouses, the total amount of the survivor annuities paid cannot exceed 50% of your annuity and OPM must honor the terms of the court order before it can honor your election. The former spouse having the court-ordered survivor benefit would receive an annuity according to the terms of the court order. If the court order gives the entire survivor annuity to the former spouse, your widow(er) would receive no survivor annuity until the former spouse loses entitlement. Then your widow(er) would receive a survivor annuity according to your election. If the court order gives less than the entire survivor annuity to the former spouse, your widow(er) would receive an annuity no greater than the difference between the court-ordered survivor annuity and 50% of your annuity. However, if the former spouse loses entitlement to the survivor annuity (through remarriage before age 55, death, or under the terms of the court order), your widow(er) would then receive the survivor annuity you elected.

For example, if there is a court-ordered former spouse survivor annuity that equals 40% of your annuity, you elect a maximum survivor annuity for your current spouse, and you die before the former spouse's entitlement to a survivor annuity ends, the former spouse would receive a survivor annuity equal to 40% of your annuity and your widow(er) would receive a survivor annuity equal to 10% of your annuity. However, if the former spouse later loses entitlement to the survivor annuity, your widow(er) would then receive a survivor annuity equal to 50% of your annuity.

Electing an Insurable Interest Annuity for a Current Spouse When a Court Order Gives a Survivor Annuity to a Former Spouse

If a former spouse's court-ordered survivor annuity will prevent your current spouse from receiving a survivor annuity that is sufficient to meet his or her anticipated needs, you may want to elect an insurable interest annuity for your spouse. You must provide documentation that you are in good health in order to choose this benefit. The amount of the benefit and the amount of the reduction in your annuity to provide it are explained in "Electing an Insurable Interest Survivor Benefit for an Individual Other Than Your Spouse" below.

If you elect an insurable interest survivor annuity for your current spouse, your current spouse must sign form SF 3107-2, “Spouse’s Consent to Survivor Election,” which is part of SF 3107, “FERS Application for Immediate Retirement,” consenting to receive the insurable interest annuity instead of a regular survivor annuity. (Choose item a. in Part 1 of the SF 3107-2).

If you elect an insurable interest survivor annuity for your current spouse and your former spouse loses entitlement before you die, you may request that the reduction in your annuity to provide the insurable interest annuity be converted to the regular survivor annuity reduction. Your current spouse would then be entitled to the regular survivor annuity. If your former spouse loses entitlement after you die, your widow(er) can substitute the regular survivor annuity for the insurable interest survivor annuity.

If for any reason OPM cannot allow your insurable interest election for your current spouse, your current spouse will be considered elected for the maximum regular survivor annuity.

Electing an Insurable Interest Survivor Benefit for an Individual Other Than Your Spouse
You can elect to provide a survivor benefit for an individual who may reasonably expect to derive financial benefit from your continued life (such as a close relative). You must provide documentation that you are in good health in order to choose this type of annuity. If you choose this type of annuity, the amount of the reduction in your annuity will depend upon the difference between your age and the age of the person named as the survivor annuitant, as shown in the table below. The survivor’s rate will be 55% of your reduced annuity.

The following table lists the age of the person named in relation to that of the retiring employee and the corresponding reduction in annuity of the retiring employee.

Age of the Person Named in Relation to that of Retiring Employee	**Reduction in Annuity of Retiring Employee**
Older, same age, or less than 5 years younger	10%
5 but less than 10 years younger	15%
10 but less than 15 years younger	20%
15 but less than 20 years younger	25%
20 but less than 25 years younger	30%
25 but less than 30 years younger	35%
30 or more years younger	40%

You can elect this insurable interest survivor annuity in addition to a regular survivor annuity for a current or former spouse.

Termination of the Reduction in Your Annuity to Provide a Survivor Benefit

Current Spouse
The reduction in your annuity to provide a survivor annuity for your current spouse stops if your marriage ends because of death, divorce, or annulment.

Former Spouse
The reduction in your annuity to provide a survivor annuity for a former spouse ends if the former spouse dies, if the former spouse remarries before reaching age 55, or under the terms of the court order that required you to provide the survivor annuity for the former spouse when you retired. (Modifications to the court order issued after you retire do not affect the former spouse survivor annuity.)

Insurable Interest
The reduction in your annuity to provide an insurable interest annuity ends if the person you name to receive the insurable interest annuity dies or if the person you name is your current spouse and you change your election because a former spouse has lost entitlement to a survivor annuity. The reduction also ends if, after you retire, you marry the insurable interest beneficiary and elect to provide a spousal survivor annuity for that person. If you marry someone other than the insurable interest beneficiary after you retire and elect to provide a survivor annuity for your spouse, you may elect to cancel the insurable interest reduction at that time.

Changing the Survivor Election After Retirement

If It Is Within 30 Days Of Your First Regular Annuity Payment - You may change your election if, not later than 30 days after the date of your first regular monthly payment, you file a new election in writing. You should write to:

U.S. Office of Personnel Management
Federal Employees Retirement System
P.O. Box 200
Boyers, PA 16017-0200.

Your first regular monthly payment is the first annuity check payable on a recurring basis (other than an estimated payment or an adjustment check) after OPM has computed the regular rate of annuity payable under the FERS and has paid the first regular annuity amount.

When the 30-day period following the date of your first regular monthly payment has passed, you cannot change your election, except under the circumstances explained in the following paragraphs.

If It Is More Than 30 Days From The Date Of Your First Regular Monthly Payment, But Less Than 18 Months From The Beginning Date Of Your Annuity - If you are married at retirement, you may change your decision not to provide a survivor annuity, or you may increase the survivor annuity amount. You must request the change in writing no later than 18 months after the beginning date of your annuity.

In addition, you must pay a deposit representing the difference between the reduction for the new survivor election and the original survivor election, plus a percentage of your annual annuity. This percentage is 24.5% of your annual annuity (at retirement) if you are changing from no survivor benefit to a full survivor benefit, and 12.25% if you are changing from none to a partial benefit or from a partial benefit to a full benefit. Interest on the deposit must also be paid.

Electing Survivor Benefits for a Spouse Acquired After Retirement

If you get married after retirement, you can elect a reduced annuity to provide a survivor annuity for your spouse, if you contact OPM to request the benefit within two years of the date of the marriage. You may elect either a full survivor annuity (50% of your unreduced annuity) or a partial survivor annuity (25% of your unreduced annuity). If you remarry the same person you were married to at retirement and that person consented to either no survivor annuity or a partial survivor annuity, you cannot elect a survivor annuity greater than the amount provided in your original election.

There will be two reductions in your annuity if you elect to provide the survivor benefit. One will be the reduction to provide the survivor benefit. The amount of the reduction depends on whether you have elected to provide a full survivor annuity (10% reduction) or a partial survivor annuity (5% reduction). The reduction to provide the survivor benefit will be eliminated if your marriage ends.

The other reduction in your annuity is a permanent actuarial reduction to pay the survivor benefit deposit. The deposit equals the difference between the new annuity rate and the annuity paid to you for each month since retirement, plus 6% interest. The reduction is determined by dividing the amount of the deposit by an actuarial factor for your age on the date your annuity is reduced to provide the survivor benefit. The actuarial reduction will not be eliminated from your annuity if your marriage ends. See Appendix B, “Present Value Factors for FERS,” for additional information.

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Separating Employees Ineligible For Immediate Annuity

FERS employees who are separating from service but who are not eligible for an immediate annuity have some decisions to make about how to handle their retirement contributions, health benefits, and life insurance coverage, as explained below.

Handling Your Retirement Contributions

Refund

You may apply for a refund of your retirement contributions if you have been separated from federal service for at least 31 days (or have occupied a position not covered by FERS for at least 31 days). If you have more than 1 year of service, interest on the contributions will be part of the refund. The form to use to apply for a refund is SF 3106, "Application for Refund of Retirement Deductions."

Before you can receive a refund, you generally must notify your spouse and any former spouse that you have filed the application. Also, you may be barred from receiving a refund if the refund would end the court-ordered right of any spouse or former spouse to future benefits based on your service.

Refunded FERS contributions cannot be redeposited and the service covered by the refund cannot be re-credited.

If you elected to transfer to FERS and qualify to have a portion of your annuity computed under CSRS rules, and later separate from federal service, you may apply for a refund of your CSRS contributions only. (You may redeposit the CSRS contributions according to CSRS deposit rules.) By leaving your FERS contributions in the retirement fund, you will retain title to a FERS deferred annuity.

Note: If you were covered by CSRS Offset provisions (both CSRS and Social Security) when you transferred to FERS, your Offset service is now treated as FERS service. You cannot redeposit a refund of Offset service deductions that you receive after transferring to FERS. The service covered by that refund cannot be re-credited.

Deferred Annuity

If you have at least 5 years of creditable civilian service for which withholdings or deposits remain in the Fund, and you are not eligible for an immediate retirement benefit, you will be eligible for a deferred annuity. You may receive a deferred annuity beginning on the first day of the month after you attain age 62. Alternatively, if you have at least 10 years of creditable service, you may elect to receive a deferred annuity as early as the first day of the month after you attain your Minimum Retirement Age (MRA).

If you are eligible for a deferred annuity beginning after you attain your MRA, your deferred annuity will be reduced by 5/12 percent for each month (5 percent per year) by which the commencing date of annuity precedes your 62nd birthday, unless you have at least 30 years of service; have 20 years of service and postpone the commencing date until you are age 60; or have at least 20 years of service as an air traffic controller, firefighter, law enforcement officer, or Member of Congress.

Contact OPM to ask for form RI 92-19, "Application for Deferred or Postponed Retirement." Call (202) 606-0500 or write to OPM at: OPM, P.O. Box 45, Boyers, PA 10617-0045. Complete the form and mail it to OPM no sooner than 2 months before age 62. The deferred annuity begins on your 62nd birthday.

The deferred annuity is based on the length of your service and your high-3 average salary. The basic annuity computation formula is:

1% of your high-3 average pay
multiplied by
your years of creditable service.

Note: If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%.

If you want to make a deposit for post-1956 military service so that you can receive credit for this service in the computation of your deferred annuity, you must pay the deposit to your employing agency before you separate from federal employment. OPM cannot accept your payment.

If you die before applying for a deferred annuity and you have less than 10 years of creditable service or no eligible survivor, any contributions remaining in the retirement fund are paid in a lump sum (with interest) to your designated beneficiary or person in the order of precedence set by law.

If you die before applying for a deferred annuity, your surviving spouse is entitled to a survivor annuity if:

- You have at least 10 years of creditable service for which withholdings or deposits remain in the Fund (5 years of which is creditable civilian service); and
- Your spouse was married to you at the time of your separation from federal service.

Your surviving spouse may elect to receive a lump-sum payment of your retirement contributions in lieu of the survivor annuity.

Health Benefits

The 31-day Extension of Coverage and Temporary Continuation of Coverage

Enrollment in the Federal Employees Health Benefits (FEHB) program terminates on the last day of the pay period during which you separate. You then have a 31-day free extension of coverage.

When you separate from service, you may choose to continue FEHB coverage for a period of 18 months after your separation. If you take advantage of this temporary continuation of coverage option, you must pay both the employee and the employer share of the health benefits premium plus an administrative charge of 2 percent of the premium. You can choose to enroll in the same plan you had at separation or any other plan, option, or type of enrollment for which you are eligible. (DOD employees should check with their personnel department concerning payment of premiums.)

Temporary continuation of coverage begins as soon as the 31-day free extension of coverage ends regardless of when you elect it. Your agency is required to notify you about your eligibility for temporary continuation of coverage within 60 days after you separate. You have 60 days after receiving the notice to enroll. If you enroll after the 31-day free extension expires, your enrollment will be retroactive to the expiration of the 31-day free extension and you will be billed for the retroactive coverage.

Contact your agency personnel office for additional information about temporary continuation of coverage.

Conversion Privilege

If you do not want to continue your health benefits coverage under the temporary continuation provision, you may convert to an individual (non-group) contract. The conversion contract is available only from the carrier of the plan you are enrolled in when you separate. If you continue your coverage under the temporary continuation provision, you will have another opportunity to convert to an individual contract at the end of the 18-month period.

If you do convert, you must pay the entire cost of coverage and your benefits may be less than previous coverage. However, the carrier must offer you a non-group contract regardless of any health problems you or your family members may have.

When you separate, your employing office must terminate your enrollment by completing a "Notice of Change in Health Benefits Enrollment" (SF 2810) and forwarding you a copy. The SF 2810 tells about the 31-day extension of coverage and how to convert to an individual (non-group) contract and gives information about temporary continuation of coverage. Your agency will also give you a notice about your eligibility for the temporary continuation of coverage described above and information about how to enroll.

Reinstatement of Coverage

You cannot reinstate your health benefits coverage if you receive a deferred annuity.

Life Insurance

Conversion Privilege

Life insurance under the Federal Employees Group Life Insurance (FEGLI) program terminates at the end of the pay period in which you separate. You then have a 31-day free extension of coverage during which you may convert to an individual policy.

Forms You Should Receive

SF 2821, “Agency Certification of Insurance Status”
SF 2819, “Notice of Conversion Privilege”

When you separate, your employing office must terminate your coverage by completing an SF 2821 and forwarding you a copy. It must also give you an SF 2819 that provides information on your right to convert to an individual (non-group) life insurance policy.

Reinstatement of Coverage

You cannot reinstate your life benefits coverage if you receive a deferred annuity.

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Disability Retirement

If you become disabled during the course of your federal career, you may be entitled to a disability annuity under FERS. However, you should consider applying for disability retirement only after you have provided your employing agency with complete documentation of your medical condition and your agency has exhausted all reasonable attempts to retain you in a productive capacity through accommodation, reassignment, and so forth. (An "accommodation" is an adjustment made to a job and/or work environment that enables a qualified handicapped person to perform the duties of that position.)

Applying For Disability Retirement

If you are applying for disability retirement, you must complete SF 3107, "Application for Immediate Retirement," and SF 3112, "Documentation In Support of Disability Retirement." Your employing agency will help you complete these forms and will forward them to OPM. However, it is your responsibility to obtain all of the information necessary for OPM to make a decision on your claim. This includes providing all of the required forms and documentation.

If you are under age 62, federal retirement law requires your disability benefits under FERS to be reduced by 100 percent of your social security benefit for any month in which you are entitled to social security disability benefits during the first 12 months of eligibility. After the first year, your disability annuity is equal to 40 percent of your high-3 average salary minus 60 percent of your social security benefit for any month in which you are entitled to social security disability benefits. Therefore, you must document that you have applied for social security disability benefits after you separate from your agency. Your application cannot be completely processed without this information. If you are awarded social security disability benefits at any time after you have applied for or begin receiving disability benefits, you must be sure to notify OPM of the effective date and the amount of the social security benefits.

Important: FERS disability benefits usually begin before the claim for social security benefits is fully processed. Because the FERS disability benefit must be reduced by 100 percent of any social security benefit payable for 12 months, social security checks should not be negotiated until the FERS benefit has been reduced. The social security checks will be needed to pay OPM for the reduction which should have been made in the FERS annuity.

If You Have Been Separated from Federal Service for More Than 31 Days

Your application for disability retirement must be received by OPM within one year after the date of your separation. If you have been separated from federal service for more than 31 days, your former employing agency may no longer have your personnel records and may not be able to recover them in time to process your disability retirement application and submit it to OPM within the one-year time limit. Therefore, you should submit your application directly to OPM rather than to your agency. The address is:

Office of Personnel Management
Federal Employees Retirement System
Retirement Operations Center
Boyers, PA 16017-0001.

Ask your former supervisor and employing agency to complete SF 3112B, SF 3112D, and SF 3112E and give them to you so that you can send them directly to OPM. If you think you will not have the completed package in time to meet the one-year deadline, send OPM the completed SF 3107 and SF 3112A, along with the name, address, and telephone number of the person(s) you have asked to complete the remaining forms. Do not delay submitting your application!

The one-year time limit for applying for disability retirement is established by law. Waiver of that time limit is permitted only if you were mentally incompetent to file within the established time frame. Failure to follow instructions or unfamiliarity with applicable law and regulation is not a basis for waiving the time limit.

Eligibility Requirements
You must meet all of the following conditions to be eligible for disability retirement:

1. You must have completed at least 18 months of federal civilian service that is creditable under FERS;
2. You must, while employed in a position subject to the retirement system, have become disabled because of disease or injury for useful and efficient service in your current position. ("Useful and efficient service" means fully successful performance of the critical or essential elements of the position - or the ability to perform at that level - and satisfactory conduct and attendance.);
3. The disability must be expected to last at least one year;
4. Your agency must certify that it is unable to accommodate your disabling medical condition in your present position and that it has considered you for any vacant position in the same agency at the same grade or pay level, within the same commuting area, for which you are qualified for reassignment. (An employee of the Postal Service is considered not qualified for reassignment if the reassignment is to a position in a different craft or is inconsistent with the terms of a collective bargaining agreement covering the employee.);
5. You, or your guardian or other interested person, must apply before your separation from service or within one year thereafter. The application must be received by OPM within one year of the date of your separation. This time limit can be waived only if you were mentally incompetent on the date of separation or within one year of this date; and
6. You must apply for social security disability benefits. Application for disability retirement under FERS requires an application for social security disability benefits. If the application for social security disability benefits is withdrawn for any reason, OPM will dismiss the FERS disability retirement application upon notification by the Social Security Administration.

If you are a Military Reserve Technician being separated from your position because of a disability that disqualifies you from membership in the Military Reserve or from holding the military grade required for your employment, special provisions may apply to you. Contact your employing agency for the necessary information.

Required Documentation

To decide if your disability claim is allowable, OPM considers the documentary evidence you, your agency, and your physician provide. Your claim can be allowed only if the evidence establishes that you meet all of the following criteria:

1. A deficiency in service with respect to performance, conduct or attendance, or, in the absence of any actual service deficiency, a showing that your medical condition is incompatible with other useful service or retention in the position;
2. A medical condition, which is defined as a health impairment resulting from a disease or injury, including a psychiatric disease;
3. A relationship between the service deficiency and the medical condition such that the medical condition has caused the service deficiency;
4. The disability must be expected to last at least one year;
5. You became disabled while serving under the Federal Employees Retirement System;
6. The inability of your employing agency to make reasonable accommodation to your medical condition; and
7. The absence of another available position, within the employing agency and commuting area, at the same grade or pay level and tenure, for which you are qualified for reassignment.

Remember that OPM will not pay for any medical examination or procedure needed to provide the necessary documentation. You are responsible for covering these expenses.

How Applications Are Processed

If you are still employed, your employing agency will assemble the form "Documentation in Support of Disability Retirement" (SF 3112), including Schedules A, B, C, D and E, together with your "Application for Immediate Retirement" (SF 3107) and associated forms, your preliminary "Individual Retirement Record" (SF 3100), and all available disability documentation and send them to OPM.

The disability documentation will include that which you obtain for the purpose of applying for disability retirement and all documentation on file with your agency concerning your medical condition and its relationship to service deficiencies, attempts or requests to reassign you or accommodate you because of your medical condition, and other relevant documents. The time required for assembly and submission of the application and documentation varies from agency to agency. If you are separated from the federal service, you (or your guardian or other interested party) are responsible for seeing that your application is filed within the time limit (see "If You Have Been Separated from Federal Service for More than 31 Days" above).

Shortly after receiving your application, OPM will send you an acknowledgment letter with information and a claim number (beginning with the letters "CSA").

Receipt of an acknowledgment and a CSA claim number means that your application has been received and will be reviewed to determine your eligibility for disability retirement. Any inquiries before you receive this acknowledgment and claim number should be addressed to your employing agency. Any inquiries to OPM should include the claim number.

OPM will examine your application and supporting documentation to determine whether a finding of disability is warranted. You or your employing agency may be contacted if additional information is needed. Both you and your agency will be notified of the allowance or disallowance of your application. If your claim is disallowed, OPM will provide information about your right to request further consideration of your claim. You or your agency should notify OPM of any change in your status, such as a change in your current job or assignment. If, while OPM is processing your claim, you decide to withdraw your application, you must notify OPM in writing of the withdrawal request. Such a request can be accepted if it is received by OPM before your application is approved or before you have been separated from your agency, whichever is later. Also, if you file a non-disability retirement application with OPM at any time before separation from your agency, OPM will consider this action to be a withdrawal of the disability application.

If your application is approved, your employing agency will be requested to separate you from its rolls and send OPM your final retirement records. The actual date of separation is determined by your agency.

Interim payments can be authorized only after the disability application has been allowed, your agency has notified OPM of the date your pay stopped, and OPM has a copy of your receipt for application for social security disability benefits or social security's decision letter. Interim payments are intended to help you financially until OPM can compute the actual amount of your annuity.

OPM can complete processing of your case only after your final retirement records and all other supporting documentation have been received from your agency.

Disability Annuity Computation

Disability benefits under FERS are computed in different ways depending on the retiree's age and amount of service at retirement. In addition, FERS disability retirement benefits are recomputed after the first twelve months and again at age 62, if the annuitant is under age 62 at the time of disability retirement.

If at disability retirement you are already 62 years old, or you meet the age and service requirements for immediate voluntary retirement, you will receive your "earned" annuity based on the general FERS annuity computation:

1% of your "high-3" average salary
multiplied by
your years and months of service.

However, if you are at least 62 years old at retirement and have completed at least 20 years of service, your annuity will be computed as follows:

1.1% of your "high-3" average salary
multiplied by
your years and months of service.

If at disability retirement you are under age 62 and are not eligible for voluntary retirement, you will receive the following benefit:

a. For the first 12 months -

> 60% of your "high-3" average salary minus 100% of your social security benefit for any month in which you are entitled to social security disability benefits.

b. After the first 12 months -

> 40% of your "high-3" average salary minus 60% of your social security benefit for any month in which you are entitled to social security disability benefits.
>
> However, you are entitled to your earned annuity (1% of your "high-3" average salary multiplied by your years and months of service) if it is larger than your disability annuity computed under steps a or b above.

c. When you reach age 62 -

> Your annuity will be recomputed using an amount that essentially represents the annuity you would have received if you had continued working until the day before your sixty-second birthday and then retired under FERS non-disability provisions. The total service used in the computation will be increased by the amount of time you have received a disability annuity. The average salary will be increased by all FERS cost-of-living increases that occurred during the time you received a disability annuity (even if the adjustment did not affect your annuity). The FERS basic annuity formula (1% of your "high-3" average salary multiplied by your total years and months of service) is then applied, using the adjusted time base and average salary. If your actual service plus the credit for time as a disability retiree equals 20 or more years, the formula would be 1.1% of your "high-3" average salary multiplied by the total of your years and months of service, using the adjusted time base and average salary.

Your "high-3" average salary is figured by averaging your highest basic pay over any three years of consecutive service. These three years are usually your final three years of service, but can be an earlier period. Your basic pay is the basic salary you earn for your position. It includes increases to your salary for which retirement deductions are withheld, such as for shift rates, night shift differential, etc. It does not include payments for overtime, bonuses, etc. (If your total service was less than three years, your average salary is figured by averaging your basic pay during all of your periods of creditable federal service.)

Your basic annual annuity will be reduced to provide survivor annuity benefits if you are married (unless you and your spouse jointly waive the survivor benefit) or if you are required by a qualifying court order to provide benefits for a former spouse.

Duration of Disability Annuity Benefits

Disability annuity benefits begin accruing on the first day after your pay as an employee stops and disability and service requirements have been met. The first payment is received the first business day of the month after benefits begin accruing. Annuity is not payable for any period of time for which compensation (other than a scheduled award) is paid by the Office of Workers' Compensation Programs (OWCP), U.S. Department of Labor. Applicants found eligible for continuing benefits from OWCP and a disability retirement annuity from OPM must elect payments from one or the other. The law prohibits simultaneous receipt of continuing OWCP payments and a disability retirement annuity from OPM.

Under current law and regulations, a disability annuity continues until you are found recovered, restored to earning capacity, reemployed in the federal service, or die. Each of these situations is explained below.

Medical Recovery

If you are a disability retiree under age 60, OPM may require periodic reevaluations of your medical condition to determine if you have recovered from your disability. (Any disability retiree under age 60 may have his or her eligibility for continued annuity payments reviewed at any time it is considered necessary by OPM.) You pay the cost of providing any medical information OPM needs to review your medical condition. If OPM finds you recovered, your disability annuity payments will stop one year from the date of the medical examination showing your recovery or on the date you are reemployed in the federal service, whichever occurs first. After you turn age 60, OPM will review your medical condition only at your request.

Restoration of Earning Capacity

If you are a disability retiree under age 60, there is a limit on the amount you can earn from wages and self-employment and still be entitled to your annuity. Each year, OPM will send you a questionnaire in order to determine your earnings for the previous calendar year. If your earnings in any calendar year equal or exceed 80 percent of the current salary rate of the position from which you retired, your earning capacity will be considered restored. Even if there is no change in your medical condition, your disability annuity payments will stop six months from the end of the calendar year in which your earning capacity is restored or on the date you are reemployed in the federal service, whichever occurs first. After you turn age 60, there is no restriction on the amount of wages or earnings from self-employment you may receive.

If you have been found restored to earning capacity, but your earnings for any calendar year fall below 80 percent of the current salary rate of the position from which you retired and you are under age 62, you may request OPM to reinstate your disability retirement annuity. If you request reinstatement of your annuity, you must provide documentation showing that your income is below the 80 percent level and that the disease or condition on which your disability retirement was approved still exists. If OPM reinstates your annuity, it will begin as of January 1 of the year following the year your earnings were less than 80 percent of the current salary rate of the position from which you retired.

Reemployment in the Federal Service After You Retire

If you retire on disability, you may be reemployed in any position for which you are qualified. OPM does not need to make a recovery determination prior to your reemployment.

The law does not require that your former employing agency or any other federal agency automatically offer you a position if OPM finds that you are medically recovered or restored to earning capacity. However, if either of these occurs, you may be eligible for selection priority for jobs in other agencies under OPM's Interagency Career Transition Assistance Plan (ICTAP).

Through the ICTAP, you may receive selection priority in any Executive branch agency. Agencies will post their vacancies in OPM's Federal Job Opportunity Board. If you see a position in which you are interested, you should: (1) tailor your application material to meet the specific requirements of the vacancy announcement; (2) apply directly to the agency by the closing date of the announcement; and (3) attach your proof of eligibility (the OPM letter informing you that your disability annuity has been terminated because you have been found medically recovered or restored to earning capacity). If the agency determines that you are well qualified for the position, you must be selected over any other candidate from outside that agency.

You are eligible for this special selection priority for one year after the date of the OPM letter informing you that you have been found medically qualified or restored to earning capacity. For more information regarding the ICTAP or OPM's Federal Job Opportunity Board, contact your former agency or the nearest OPM Service Center listed under "U.S. Government" in your telephone book.

Receipt of Workers' Compensation Benefits

The approval of a claim for benefits by the Office of Workers' Compensation Programs (OWCP), U.S. Department of Labor for a work-related injury or illness does not automatically entitle an employee to FERS disability retirement. A claim for FERS disability retirement must also be filed with OPM. If you are approved for disability retirement and elect to provide survivor benefit protection, you will protect the rights of your eligible survivors to receive annuity benefits after your death. In addition, this will protect your own annuity rights in the event you lose entitlement to benefits from OWCP. Again, your application for disability retirement must be received by OPM within one year from the date of your separation by your agency.

In general, you may not receive annuity payments from OPM and OWCP payments for the same period of time. (See information below on when you may receive both payments.) This is because the law prohibits the dual compensation that would exist if you receive both a FERS annuity and OWCP payments for total or partial disability under the Federal Employees'

Compensation Act. However, if you are eligible for a FERS annuity and OWCP payments for total or partial disability, you may elect which of the two benefits you want to receive. Any overpayment of OWCP benefits or annuity you receive is subject to collection by OPM or the Office of Workers' Compensation Programs.

If you do not apply for retirement or your annuity payments are suspended while you are in receipt of OWCP payments, you may be eligible to receive a refund of your retirement contributions if any remain to your credit in the Retirement Fund. However, if you receive a refund, your right to an annuity and the rights of your survivors to FERS benefits are forfeited. If you receive the refund, you would not be eligible to receive FERS annuity benefits if your OWCP benefit is terminated or reduced. In addition, if your OWCP benefit is terminated, your Federal Employees' Group Life Insurance and health insurance coverage, if any, would also end. You would not have the right to convert your Federal Employees' Group Life Insurance coverage to an individual policy.

You may receive concurrent payment of FERS annuity and OWCP benefits for the same period of time only if:

- You are receiving a scheduled award from OWCP. A scheduled award is usually paid when there is a disability resulting from the loss, or loss of use, of a function or member of the body (such as a hearing loss or the loss of an arm);
- You are receiving OWCP benefits due to the death of another person and you are eligible for annuity on the basis of your own federal service; or
- Your OWCP payments are suspended because you are receiving a financial settlement from the party directly responsible for the injury (a third party settlement). In this instance, your annuity may be paid during the period that your OWCP benefits are suspended.

If, after you retire, you are receiving FERS annuity payments and a scheduled award, you must immediately notify OPM if your scheduled award is changed to a non-scheduled OWCP benefit. Otherwise, you will incur an indebtedness to the U.S. Government that will be subject to collection from your benefits.

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Information for FERS Annuitants

As explained earlier, the FERS retirement package is made up of benefits from three sources. Under FERS, you may be entitled to benefits from:

1. The Social Security Administration
You should go to your local social security district office to obtain information about your eligibility for and amount of these benefits. The Social Security Administration has a toll-free telephone number that should be listed in your local telephone directory.

2. The Thrift Savings Plan
You should contact the Federal Retirement Thrift Investment Board for information about these benefits. You can reach them by telephone on (504) 255-6000 or write to them at:

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

3. The Office of Personnel Management
OPM administers the FERS basic benefit. You can reach OPM by calling toll-free 1-888-767-6738, or if you live in the Washington, D.C. local calling area, by calling (202) 606-0500.

Computation of FERS Benefits
Generally, your FERS benefit is 1% of your high-three average salary multiplied by your years and months of service. If you were at least age 62 at separation and had at least 20 years of service, your annuity is 1.1% of your high-three average salary multiplied by your years and months of service.

Your benefit was computed differently if:

A. You retired on disability:

If at disability retirement you were already 62 years old, or you met the age and service requirements for immediate voluntary retirement, you received your “earned” annuity based on the general FERS annuity computation outlined above.

If at disability retirement you were under age 62 and not eligible for voluntary retirement, you received the following benefit:

For the first 12 months -
60% of your “high-3” average salary minus 100% of your Social Security benefit for any month in which you are entitled to Social Security disability benefits.

After the first 12 months -
40% of your “high-3” average salary minus 60% of your Social Security benefit for any month in which you are entitled to Social Security disability benefits.

However, you are entitled to your “earned” annuity (1% of your “high-3” average salary multiplied by your years and months of service) if it is larger than your disability annuity computed above.

Be aware that FERS disability benefits usually begin before the claim for Social Security benefits is fully processed. Because the FERS disability benefit must be reduced by 100% of any Social Security benefit payable for the first 12 months, Social Security checks should not be negotiated until the FERS benefit has been reduced. The Social Security checks will be needed to pay OPM for the reduction that should have been made in the FERS annuity.

When you reach age 62, your annuity will be recomputed using an amount that essentially represents the annuity you would have received if you had continued working until the day before your sixty-second birthday and then retired under the FERS non-disability provisions. The total service used in the computation is increased by the amount of time you received a disability annuity, and your average salary is increased by all FERS cost-of-living increases paid during the time you received a disability annuity. The FERS basic annuity formula (1% of your “high-3” average salary multiplied by your total years and months of service) is then applied, using the adjusted time base and average salary. If your actual service plus the credit for time as a disability annuitant equals 20 or more years, this formula is 1.1% of your “high-3” average salary.

B. You retired under the special provision for air traffic controllers, firefighters, or law enforcement officers:

Your annuity is 1.7% of your “high-three” average salary multiplied by your years of service which do not exceed 20, plus 1% of your “high-three” average salary multiplied by your service exceeding 20 years.

C. You retired and had at least 5 years of service as a Member of Congress or as a congressional employee (or any combination of the two):

Your annuity is 1.7% of your “high-three” average salary multiplied by your years of service as a Member of Congress or a congressional employee which do not exceed 20, plus 1% of your “high-three” average salary multiplied by your years of other service.

D. You transferred to FERS and had at least 5 years of creditable civilian service covered by either Social Security or CSRS, but not both (excludes service during which partial CSRS deductions were withheld) when you transferred:

Your annuity has both a FERS and a CSRS component. The FERS component was computed using the formula outlined above. The CSRS component was computed using the CSRS formula, which is:

First 5 years of CSRS service	1.5% of your “high-three” average salary for each year of service
PLUS	
Second 5 years of CSRS service	1.75% of your “high-three” average salary for each year of service
PLUS	
All years of CSRS service over 10	2% of your “high-three” average salary for each year of service

<u>If You Retired Under the Special Provision For Firefighters Or Law Enforcement Officers</u>
Your CSRS component is 2.5% of your high-three average salary, multiplied by up to 20 years of law enforcement officer and/or firefighter service, plus 2% of your “high-three” average salary multiplied by all service over 20 years.

<u>If You Retired Under the Special Provision For Members of Congress or Congressional Employees</u>
Your CSRS component is 2.5% of your “high-three” average salary multiplied by your years and months of service as a Member of Congress and/or congressional employee, your military service while on a leave of absence as a Member and up to 5 years of other military service, plus 1.75% of your “high-three” average salary multiplied by your years of other service which, when added to your years of 2.5% service, do not exceed 10 years, plus 2% of your “high-three” average salary multiplied by your years of other service in excess of 10 years.

Reductions in Annuity Computation

1. Age
If you had 10 or more years of service and retired at the Minimum Retirement Age (MRA), your benefit was reduced by 5/12 of 1% for each full month (5% per year) that you were under age 62 on the date your annuity began. However, your annuity was not reduced if you completed at least 30 years of service, or if you completed at least 20 years of service and your annuity began when you reached age 60. You could have reduced or eliminated this age reduction by postponing the beginning date of your annuity. The age reduction applies to both the CSRS and the FERS components of your annuity.

2. Survivor Benefits
Your benefit may have been reduced to provide survivor benefits after your death. If you are married, this survivor reduction was automatic under the law, unless your spouse consented to your election of less than a full survivor annuity. If the total of the survivor benefit(s) you elected equals 50% of your benefit, your annuity is reduced by 10%. If the total equals 25%, the reduction is 5%.

3. Alternative Annuity
Your benefit may be reduced if you elected a lump sum payment equal to your retirement contributions and a reduced monthly annuity, commonly called an "alternative annuity." Only non-disability annuitants who have a life-threatening affliction or other critical medical condition can elect this option. (See Appendix B of this handbook, "Present Value Factors for FERS," for additional information.)

Computation of "High-3" Average Salary
Your "high-3" average salary was figured by averaging your highest basic pay over any three years of consecutive service. These three years are usually your final three years of service, but can be an earlier period if your basic pay was higher during that period. Your basic pay is the basic salary you earn for your position. It includes increases to your salary for which retirement deductions are withheld, such as for shift rates, night shift differential, etc. It does not include payments for overtime, bonuses, etc. (If your total service was less than 3 years, your average salary was figured by averaging your basic pay during all of your periods of creditable federal service.)

Minimum Retirement Age
The Minimum Retirement Age (MRA) is your age at the earliest date you were eligible to retire and is based on the year of your birth. To determine your MRA, refer to the following table:

If year of birth is...	***Your MRA is***
Before 1948	55 years
1948	55 years, 2 months
1949	55 years, 4 months
1950	55 years, 6 months
1951	55 years, 8 months
1952	55 years, 10 months
1953 to 1964	56 years
1965	56 years, 2 months
1966	56 years, 4 months
1967	56 years, 6 months
1968	56 years, 8 months
1969	56 years, 10 months
After 1969	57 years

Alternative Annuities
The alternative form of annuity is an option that is only available to non-disability annuitants who have a life-threatening affliction or other critical medical condition. If you elected the alternative annuity, you received a lump sum payment equal to your retirement contributions and a reduced monthly annuity.

Reduction In Annuity If Alternative Annuity Elected
The reduction in your annuity if you elected the alternative annuity is an actuarial reduction. This reduction is permanent. The reduction is equivalent to that portion of your FERS annuity attributable to your contributions to the retirement system.

Effect on Survivor Benefit
Choosing the alternative annuity does not affect your spouse's survivor annuity. Your spouse's survivor annuity will be computed based on your annuity before the alternative annuity reduction.

Tax Liability for Alternative Annuity Lump Sum Payment
Part of the Alternative Annuity lump sum is taxable in the year paid unless it is rolled over into an Individual Retirement Arrangement. You should refer to Publication 721, published by the Internal Revenue Service, to determine your taxes on the alternative annuity lump sum payment.

Annuity Supplement
The special retirement supplement is paid in addition to gross monthly FERS annuity benefits. It represents what you would receive for your FERS service from the Social Security Administration (SSA) and is calculated as if you were eligible to receive SSA benefits on the day you retired. Eligibility for the annuity supplement continues until the earlier of (1) the last day of the month before the first month for which you would be entitled to actual social security benefits or (2) the last day of the month in which you reach age 62.

Eligibility for Annuity Supplement
If you retired voluntarily on an immediate annuity that is not reduced for age, you may be receiving a special retirement supplement that adds to your monthly benefit. You may also be receiving this supplement if you retired involuntarily before attaining your Minimum Retirement Age (MRA) or voluntarily because of a major reorganization, reduction in force, or an early retirement for Members of Congress. However, in these three instances, you were not eligible for the special retirement supplement until you reached your MRA. If you are receiving a deferred benefit or an immediate MRA+10 benefit, you are not eligible for a special retirement supplement.

If your annuity has both a CSRS and a FERS component, you can still receive an annuity supplement. However, you must complete one full calendar year of service subject to FERS computation rules. One full calendar year means any year that begins January 1 and ends December 31.

Computation of Annuity Supplement

The supplement is computed as if you were age 62 and fully insured for a social security benefit when the supplement begins. By law, OPM first estimates what your full career (40 years) social security benefit would be. Then it calculates the amount of your civilian service under FERS and reduces the estimated full career social security benefit accordingly. For example, if your estimated full career social security benefit would be $1,000 and you had worked 30 years under FERS, OPM would divide 30 by 40 (.75) and multiply ($1,000 x .75 = $750). The result would be your special retirement supplement, prior to any reductions.

Changes in the Amount of the Supplement

Like social security benefits, your retirement supplement is subject to an earnings test. It is reduced if you earn more than the exempt amount of earnings (called the minimum level of earnings) in the immediately preceding year. Your supplement is reduced by $1.00 for every $2.00 of earnings over the minimum level. It is possible that your supplement could be reduced to $0. However, your FERS basic benefit will not be reduced. If you are receiving a supplement, you must report your earnings to OPM. You will receive instructions on how to report your earnings when it is required.

There is no reduction until after the first calendar year you receive the special retirement supplement. Then, your earnings during that first calendar year are compared to the social security minimum level of earnings for the same year. Your monthly annuity supplement in the second calendar year is then reduced by 1/12 of the excess earnings. Excess earnings are 50% of the amount by which your earnings exceed the social security minimum.

Minimum Level of Earnings

The amount you may earn without affecting your special retirement supplement is determined by the Social Security Administration each year. It will increase with the annual increases in average wages for the national workforce. You can contact OPM to obtain the current year amount.

Definition of Earnings

Your FERS basic benefit is not considered earnings. Your earnings for any year will consist of the sum of wages for service performed in the year, plus all net earnings from self-employment for the year, minus any net loss from self-employment for the year.

Cost-of-Living Adjustments (COLA's)

Eligibility for COLA's

Your annuity will be increased for cost-of-living adjustments, if:

1. You are over age 62; or
2. You retired under the special provision for air traffic controllers, law enforcement personnel, or firefighters; or
3. You retired on disability, except when you are receiving a disability annuity based on 60% of your "high-three" average salary. This is generally during the first year of receiving disability benefits; or

4. Your retirement includes a portion computed under CSRS rules.

Retirees under age 62 who do not fall into one of the categories in items 2, 3 or 4 above are not eligible for cost-of-living increases until they reach age 62.

If you've been receiving retirement benefits for less than 1 year and are eligible for a cost-of-living adjustment (COLA), you'll get a percentage of the cost-of-living increase. The percentage depends on how long you were receiving your annuity before the effective date of the increase. When you receive an increase, OPM will send you complete information about its effect on your annuity.

Under FERS and FERS Special, the January 2002 COLA will be 2.0 percent for those who have received benefits for at least one year. If your monthly annuity began in January 2001 or later, however, your COLA will be between 1.8 percent and 0.2 percent, depending on the month the annuity started. See Appendix A of this Handbook, "January 2002 Cost-of-Living Adjustment" for these figures, and for more information.

How COLA Amounts are Determined

The amount of the COLA is determined by the percentage increase in the Consumer Price Index (CPI), according to the following table:

Change in CPI	***COLA***
0% to 2%	Change in CPI
2% to 3%	2%
Over 3%	Change in CPI, less 1%

Cost of Living Adjustments If You Transferred to FERS and You Have A CSRS Component to Your Annuity

If you elected to transfer to FERS from CSRS and part of your benefit is computed under CSRS rules, that part of your benefit will be increased by CSRS COLAs, regardless of your age and type of retirement. Civil Service Retirement System COLAs are equal to the percentage change in the Consumer Price Index, regardless of the amount of the change. The FERS portion of your benefit will be increased as discussed above.

Payments

Agency Responsible for Payments

OPM authorizes your basic retirement benefit and the Treasury Department prepares and mails the checks (or transfers the payment to your bank).

Payment and Accrual of Annuity
All annuities are payable in monthly installments on the first business day of each month. Your payment covers annuity due for the month before the month in which the payment is made. For example, your check dated June 1st pays you for your annuity for the month of May.

If you don't get your check on the first business day, it could be because:

- It's delayed in the mail;
- You moved and OPM didn't receive your new address in time to correct the address for the next check;
- Your annuity was suspended for failure to reply to official correspondence; or
- OPM received notification of your receipt of benefits from the Office of Workers' Compensation Programs.

Late Payments
The best way to avoid receiving late payments is to enroll in direct deposit. However, if your payment is late, wait 5 workdays because the mail may have been delayed. Then, if you still have not received your check, write to:

U.S. Office of Personnel Management
ATTN: Check Loss
P.O. Box 7815
Washington, DC 20044-7815

If you prefer, you can call OPM at 1-888-767-6738. Customers within local calling distance to Washington, D.C. should call (202) 606-0500.

Tell OPM which check you did not receive, and your claim number (CSA number). You can find your claim number on your Annuity Statement or on any other statements OPM sent you regarding your benefits. Always be sure to include the letters "CSA" before the claim number. Also tell OPM the date you expected to receive the check that was lost. (This is very important to avoid any misunderstanding about the check for which you are claiming non-receipt.)

If you notify OPM in writing, be sure to sign your name at the end of your letter. If your monthly payment is being deposited directly into a bank, you must also get an official from the bank to sign your letter.

Beginning Date of Retirement Payments
In most cases, your annuity began the first of the month after the month you separated for retirement. However, under certain conditions, your annuity could have begun on a different date, as explained below:

- If you retired because of disability, then your annuity began the day after you separated or the day after your last day of pay, whichever was earlier.
- If you retired involuntarily under the discontinued service provisions, or if you retired as a military reserve technician at age 50 with 20 years of technician service because of your

failure to meet the conditions required for continued employment, then your annuity began the day after you separated for retirement.

- If you postponed receiving your Minimum Retirement Age (MRA)+10 benefit, then your annuity began on the first of the month you designated or the first day of the month of your 62nd birthday, whichever was earlier.
- If you retired on a deferred annuity, then your annuity began the first of the month following your 62nd birthday (unless you had at least 10 years of service and chose to receive it before you were 62).

Time Limit for Cashing Annuity Checks

Government checks cannot be cashed more than 12 months after the date on which the check was issued. If you have a check that is no longer negotiable, return it to:

U. S. Office of Personnel Management
Funds Management
P.O. Box 1725
Washington, DC 20044-1725.

If you are entitled to a replacement check and have not already received one, OPM will send you a replacement check.

Payment/Mailing Address

Be sure to keep OPM advised of any change in your mailing address. Even if your monthly annuity payment goes to a bank, OPM always sends information about your annuity to your mailing address. If you move or change your mailing address, you can either telephone or write OPM to report your new address. If you want to change your address by telephone, call 1-888-767-6738. Customers within local calling distance to Washington, D.C. should call (202) 606-0500. This method of changing your address is usually quicker. If you prefer to write, you should report your new address to:

U.S. Office of Personnel Management
ATTN: Change of Address
P.O. Box 45
Boyers, PA 16017-0045.

When informing OPM of your address change, use one of the following methods:

- Use the change-of-address form OPM sent to you,
- Use the form on the back of the envelopes in which the Treasury Department mails your monthly annuity checks, or
- Use a postcard or letter. On it, print the following information:

1. Your name
2. Your claim number
3. Your old address (be sure to include the zip code and mark this “old address”)
4. Your new address (be sure to include the zip code and mark this “new address”)

Whether you use a form, card, or letter, be sure to sign it.

You should make sure OPM knows your new address as soon as possible. Otherwise, your next check could be late or may not be received because it was mailed to your old address.

While waiting for your check mailing address to be changed, you should ask your postmaster to forward your mail or arrange to get the check personally at your old address, because OPM probably won't be able to change your check mailing address in time for the next check to arrive at your new address. If your payments are deposited directly into your bank account, you still must notify OPM if your correspondence address changes.

Direct Deposit of Annuity Check to Your Bank Account

Public Law 104-134 requires that most federal payments be paid by Direct Deposit through Electronic Funds Transfer (EFT) into a savings or checking account at a financial institution. However, if receiving your payment electronically would cause you a financial hardship, or a hardship because you have a disability, or because of a geographic, language or literacy barrier, you may invoke your legal right to a waiver of the Direct Deposit requirement, and continue to receive your payment by check. When you elect direct deposit, you will continue to receive other information at your mailing address.

Changing Method of Payment to Direct Deposit

If your payments currently come to your mailing address and you now want to have your FERS annuity payments deposited directly into your bank account, you can call OPM toll-free at 1-888-767-6738 (those within local calling distance to Washington, D.C. should call (202) 606-0500). If you prefer, you can get form SF 1199A at your financial institution and fax it to OPM at (202) 606-0144, or mail it to:

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

If you call OPM, you will need your account number at the financial institution and the institution's routing number.

Banks outside the United States do not use SF 1199A. To have your check sent to a bank in a foreign country, you should write to:

U.S. Office of Personnel Management
ATTN: Change-of-Address
P.O. Box 45
Boyers, PA 16017-0045.

Changing Financial Institution Where Direct Deposits Are Sent

To change banks you can either call OPM toll-free at 1-888-767-6738 (those calling within local calling distance to Washington, D.C. should call (202) 606-0500) or complete a new SF 1199A, "Direct Deposit Sign-Up Form," with your new bank and forward the new form to OPM at the address above. To avoid possible non-receipt of an annuity payment, do not close out your old account until you begin receiving annuity payments at your new bank account.

If You Become Ill and Cannot Sign Your Checks

If you are mentally competent but physically unable to write your name legibly, you, a family member, or other person acting in your behalf, should ask your bank what to do so you can cash or deposit your check. Direct Deposit is usually the best solution. OPM will accept an "X" as your signature if two people sign beside the "X" to witness that you made the "X."

If You Become Mentally Incompetent

If you become unable to take care of your own financial affairs, a family member or other individual should notify:

U.S. Office of Personnel Management
Federal Employees Retirement System
Retirement Operations Center
Boyers, PA 16017-0001

They should give your full name and claim number (CSA number). OPM will send instructions to your mailing address, or to the person who wrote in your behalf. These instructions explain how to have your annuity paid to a person who will act as your representative and use the money for your benefit. If a court has appointed a guardian or conservator to be your representative, the individual should return the checks made out to you to the Treasury Department with an explanation of why they are being returned, as indicated above. In addition, they should write to OPM, providing a copy of the court order and asking to be made the payee. This person should be sure to state the address to which the checks are to be mailed. OPM will take the steps necessary to pay your annuity to your guardian or conservator. However, any checks received that do not have the proper payee's name should be returned to the Treasury Department. OPM will arrange to have new checks made out to the person the court appointed.

Payment to Individual With Power of Attorney

Annuity checks made out to you cannot be cashed by an individual using a general power of attorney. However, remember that you can use SF 1199A, "Direct Deposit Sign-Up Form," to have your payments deposited in your bank account. A specific power of attorney SF 232, "Power of Attorney by Individual for the Collection of a Specified Check Drawn on the United States Treasury," can be used but a separate form must be completed for each check cashed. If you want to use a foreign bank, you must complete SF 233, "Power of Attorney by Individual to a Bank for Collection of Checks Drawn on the United States Treasury." (SF 232 and SF 233 may be available at your bank.)

Uncashed Checks Upon Death of Retiree

To avoid any violation of law, return any checks uncashed at the time of a retiree's death to: Department of the Treasury, Financial Management Service, P.O. Box 7224, San Francisco, CA 94120-7224.

Along with the check, include an explanation that the retiree died and the date of death. If your annuity payments are being deposited directly into your bank account, your survivors should immediately notify the bank of your death. Your survivors should write or telephone OPM at 1-888-767-6738 (customers within local calling distance to Washington, D.C. should call (202) 606-0500) asking for an application for death benefits.

Taxes and Other Deductions From Your Annuity

Income Tax

Federal Income Tax

Your annuity payments are subject to federal income tax under rules set forth and administered by the Internal Revenue Service (IRS). If you have questions about the taxability of your annuity, you should contact your local IRS office. OPM does not provide tax advice and does not supply IRS publications. For a detailed explanation about federal tax and your annuity, request Publication 721, "Tax Guide to U.S. Civil Service Retirement Benefits," from the IRS.

OPM withholds federal income tax from your annuity at the rate that you specified on your application for retirement. No federal income tax is withheld if you elected that option when you applied for retirement. If you did not make an election regarding federal tax withholding, OPM withholds federal tax from your annuity at the rate for a married person with 3 exemptions.

Changing the Amount of or Stopping your Federal Income Tax Withholding

To change the amount of federal income tax withheld each month, or to stop the federal income tax withholding from your annuity, call OPM toll-free at 1-888-767-6738 (those within local calling distance to Washington, D.C. should call (202) 606-0500), and use the automated telephone service. When you use this system, you will need your claim number (CSA number) and the Personal Identification Number (PIN) that OPM assigned to you.

If you prefer, you can write to:

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

Your letter must include your claim number (CSA number). OPM will mail you form W-4P-A, "Election of Federal Income Tax Withholding," and instructions for making the change. If you write to OPM, your change will take effect after it processes your completed and signed form.

Please note that you may be penalized by the IRS if you do not have at least 90% of your yearly tax liability either withheld from your salary or annuity or made via quarterly payments to the IRS. You should monitor your tax withholding status each year to make sure you comply with this rule.

State Income Tax
If you want state income tax withheld from your monthly annuity, you should contact OPM, using the same procedures outlined above in the section entitled, "Changing the Amount of or Stopping your Federal Income Tax Withholding."

Other Deductions From Annuity

Health Benefit/Life Insurance Premiums
If you are eligible to continue your health benefits and/or life insurance coverage into retirement, the premiums for these are withheld from your monthly benefit. If your monthly retirement payment doesn't cover the cost of the premiums, you can arrange to make direct payment to OPM for the premiums.

Medicare Premiums
If you are not receiving social security benefits, you can have your Medicare premiums withheld from your annuity. OPM must receive a request from the Health Care Financing Administration to withhold Medicare premiums from annuity payments. OPM cannot act on a request from a retiree or the Social Security Administration to withhold Medicare premiums from annuity payments. Your social security district office can give you additional information about this.

Union Dues
Some union dues can be withheld from annuity payments. Contact your union for information.

Debts Owed the Federal Government
If you owe a debt to the U.S. Government, OPM can take money from your annuity to settle that debt. If you owe the debt to the Federal Employees Retirement System (FERS) due to an overpayment of benefits, OPM will send you an explanation of the amount of the debt, the reason for it, and how much will be withheld from your monthly annuity payments until the debt is paid. OPM will also give you specific information about your rights in connection with the collection of the debt. If you owe a debt to another federal agency, that agency will give you an explanation of the debt and any rights available to you before asking OPM to withhold the debt from your annuity payments.

If you owe a debt to another federal agency, you may be subject to a government-wide program administered by the Department of Treasury, called the Treasury Offset Program (TOP). Under this program, your annuity payments will be offset to collect the debt. If a debt is being collected under TOP, you will be notified by Treasury before the offset begins. If you have any questions about the debt and the collection, you should contact the creditor agency shown on Treasury's notice to you, or Treasury's Administrative Offset toll free number at 1-800-304-3107.

Other Withholds
Your annuity may be subject to legal process to enforce any obligation you may have to pay alimony, child support, or separate maintenance. Also, your annuity may be reduced to comply, in certain circumstances, with a state court order, decree, or community property settlement dealing with apportionment of retirement benefits in connection with a divorce, annulment, or legal separation. OPM will also honor an attachment of your annuity by a trustee in bankruptcy.

Except in these circumstances, the annuity is not subject to execution, attachment, garnishment, or other legal process.

Waiving Benefits

Waiver of Annuity

You can waive all or part of your benefit by writing to OPM. No special form is necessary. You merely state in a dollar amount the portion of your monthly annuity that you want to waive and the effective date, which cannot be earlier than the first of the month following the month in which OPM receives your letter. If you have already cashed your annuity check, you cannot return any part of it for waiver purposes. You may cancel your waiver at any time by requesting this in writing, but only for payments that are due after OPM receives your written request to cancel the waiver. No retroactive payment of annuity can be made covering the period during which your waiver was in effect.

If you waive part of your annuity, you will not receive a cost-of-living allowance. However, if you cancel your waiver, your new monthly annuity rate will be adjusted to reflect all cost-of-living adjustments (COLA) as though no waiver had been made.

You cannot waive part of your annuity if a court has ordered part of your benefit to be paid to a former or separated spouse unless the waiver was received by OPM before it received the court order. If a waiver is already in effect when a court order is received, the court order will apply only to the unwaived portion of your benefits.

Effect of Waiver of Annuity on Survivor Benefits

If you waive all or a part of your annuity benefit, your spouse's benefit will be paid as if no waiver had been in effect at the time of your death.

Employment After Retirement

Employment in the Private Sector

Effect on Your Basic Annuity

Your employment outside the federal service will not affect your basic FERS annuity payments unless you're receiving a disability annuity and are under age 60. If you're a disability retiree under age 60, you will be subject to the 80% earnings limit. You reach the 80% earnings limit if, in any calendar year, your income from wages and self-employment is at least 80 percent of the current rate of basic pay for the position from which you retired.

Effect on Your Annuity Supplement

If you are receiving an annuity supplement, it will be reduced based on how much you earn over the annual earnings limit, as explained in the earlier section entitled "Changes in the Amount of the Supplement."

Reemployment in the Federal Government

Effect on Your Basic Annuity

Non-Disability Retirees

If you are a non-disability retiree and return to work for the federal government, you will continue to receive your annuity. Your salary will be reduced by the amount of your annuity for the period of reemployment.

Disability Retirees Under Age 60

If you are a disability retiree under age 60 and return to work for the federal government in a position equivalent to the position you held at retirement, OPM will find you recovered from your disability and will stop your annuity payments. If you are reemployed in a position that is not equivalent to the one you held at retirement, your annuity will continue and your salary will be offset by the amount of your annuity for the period of reemployment. You will be subject to the 80% earnings limit. You reach the 80% earnings limit if, in any calendar year, your income from wages and self-employment is at least 80 percent of the current rate of basic pay for the position from which you retired.

Disability Retirees Age 60 or Older

If you are a disability retiree age 60 or older at the time of reemployment, your annuity payments will continue and your salary will be reduced by the amount of your annuity. There is no limit on the amount of earnings you may receive. You will not be found recovered on the basis of your employment unless you specifically request to be found recovered.

Retirement Deductions

FERS retirement deductions will be withheld from your pay while you are reemployed, even if you're still receiving annuity benefits, unless your new appointment is intermittent, as a justice or judge, or as an employee subject to another retirement system for government employees. Those retirement deductions will be refunded to you if you are reemployed for less than 1 year.

When Federal Reemployment Ends

If you work full-time for at least 1 year (or the equivalent of 1 year on a part-time basis), you may be eligible for a supplemental annuity after you leave the job. If you complete at least 5 years of service (or part-time service which is equivalent to 5 years of full-time service), you may have your entire annuity recomputed. To get either benefit, you need to file a new retirement application with OPM. You can get an application from your reemploying agency. You should contact OPM to be sure they are aware you are no longer working.

Employment with a Private Sector Company that Contracts with or Receives Grants from the Federal Government

You should direct any questions concerning your employment with a private sector company that contracts with or receives grants from the federal government to the Ethics Office of your former agency, or write to: Office of Government Ethics, Suite 500, 1201 New York Avenue, NW, Washington, DC 20005-3917.

Changing Your Retirement to Disability

Changing Your Retirement to Disability Retirement

You can submit an application for disability retirement within one year after your separation from employment provided you did not elect the alternative form of annuity with a lump sum payment equal to your retirement contributions. You and your former employing agency must submit evidence that shows you became disabled while employed in a position subject to FERS coverage, and you and your agency must provide evidence that you were unable to perform useful and efficient service because of disease or injury in the position you retired from. Your former agency will also have to certify that it could not reasonably accommodate your condition. Moreover, you must not have declined an offer of reassignment to a vacant position in the commuting area at the same grade or pay level and tenure.

The 1-year filing limit can only be waived if you were mentally incompetent at the time of separation or became so within one year thereafter. In such a situation, the application for disability retirement may be filed within one year from the date you are restored to competency or a guardian is appointed, whichever is earlier.

If you change to disability retirement, you will lose your special retirement supplement. This supplement is not paid to individuals who retire on disability.

Tax Liability

You should contact the IRS regarding the impact of disability retirement on your federal income tax liability. The IRS defines disability differently than OPM does and will make its own determination as to whether you qualify under their regulations.

Changing Your Survivor Election After Retirement

Changing the Survivor Election for Your Spouse at Retirement

If it is within 30 days of your first regular annuity payment -

You may change your election if, not later than 30 days after the date of your first regular monthly payment, you file a new election in writing. You should write to: U. S. Office of Personnel Management, Federal Employees Retirement System, Retirement Operations Center, Boyers, PA 16017-0001.

Your first regular monthly payment is the first annuity check payable on a recurring basis (other than an estimated payment or an adjustment check) after OPM has computed the regular rate of annuity payable under FERS and has paid the first regular annuity amount.

If you change your election to anything less than the maximum survivor benefit, you must get your spouse's consent to the election, or request that OPM waive the spousal consent requirement.

When the 30-day period following the date of your first regular monthly payment has passed, you can only change your election under the circumstances explained in the following paragraphs.

If it is more than 30 days from the date of your first regular monthly payment, but less than 18-months from the beginning date of your annuity -

If you are married at retirement, you may change your decision not to provide a survivor annuity, or you may increase the survivor annuity amount. You must request the change in writing no later than 18 months after the beginning date of your annuity.

In addition, you must pay (1) a deposit representing the difference between the reduction for the new survivor election and the original survivor election, plus (2) a percentage of your annual annuity. This percentage is 24.5% of your annual annuity (at retirement) if you are changing from no survivor benefit to a full survivor benefit, and 12.25% if you are changing from none to a partial benefit or from a partial benefit to a full benefit. Interest on the deposit must also be paid.

Electing Survivor Benefits for a Spouse Acquired After Retirement

If you get married after retirement, you can elect a reduced annuity to provide a survivor annuity for your spouse, if you contact OPM to request the benefit within two years of the date of the marriage. You may elect either a full survivor annuity (50% of your unreduced annuity) or a partial survivor annuity (25% of your unreduced annuity). If you remarry the same person you were married to at retirement and that person consented to either no survivor annuity or a partial survivor annuity, you cannot elect a survivor annuity greater than the amount provided in your original election.

There will be two reductions in your annuity if you elect to provide the survivor benefit. One will be the reduction to provide the survivor benefit. The amount of the reduction depends on whether you have elected to provide a full survivor annuity (10% reduction) or a partial survivor annuity (5% reduction). The reduction to provide the survivor benefit will be eliminated if your marriage ends.

The other reduction in your annuity is a permanent actuarial reduction to pay the survivor benefit deposit. The deposit equals the difference between the new annuity rate and the annuity paid to you for each month since retirement, plus 6% interest. The reduction is determined by dividing the amount of the deposit by an actuarial factor for your age on the date your annuity is reduced to provide the survivor benefit. The actuarial reduction will not be eliminated from your annuity if your marriage ends.

See Appendix B of this handbook, "Present Value Factors for FERS," for additional information.

Electing Survivor Benefits for a Former Spouse if Your Marriage Terminates After Retirement

If your marriage terminates after retirement, you can elect a reduced annuity to provide a survivor annuity for your former spouse, if you contact OPM to request the benefit within two years of the date of the termination of the marriage. You may elect either a full survivor annuity

(50% of your unreduced annuity) or a partial survivor annuity (25% of your unreduced annuity). However, if you were married to that individual at retirement and they consented to either no survivor annuity or a partial survivor annuity, you cannot elect a survivor annuity greater than the amount provided in your original election. In addition, a former spouse who remarries before reaching age 55 is not eligible for a former spouse survivor annuity.

The same reductions are applied as those for a spouse acquired after retirement.

<u>Changing an Insurable Interest Annuity Election for a Current Spouse to a Regular Survivor Annuity Election</u>

If a former spouse's court-ordered survivor annuity will prevent your current spouse from receiving a survivor annuity that is sufficient to meet his or her anticipated needs, you may have elected an insurable interest annuity for your current spouse at retirement. If the former spouse later loses entitlement to the court-ordered survivor annuity, you can request that the reduction in your annuity to provide the insurable interest annuity be converted to the regular survivor annuity reduction. Your current spouse would then be entitled to the regular survivor annuity.

<u>Termination of the Reduction in Your Annuity to Provide a Survivor Benefit</u>

Current Spouse

The reduction in your annuity to provide a survivor annuity for your current spouse stops if your marriage ends because of death, divorce, or annulment.

Former Spouse

The reduction in your annuity to provide a survivor annuity for a former spouse stops if the former spouse dies, if the former spouse remarries before reaching age 55, or under the terms of the court order that required you to provide the survivor annuity for the former spouse when you retired. (Modifications to the court order issued after you retire do not affect the former spouse survivor annuity.)

Insurable Interest

The reduction in your annuity to provide an insurable interest annuity stops if the person you name to receive the insurable interest annuity dies or if the person you name is your current spouse and you change your election because a former spouse has lost entitlement to a survivor annuity. The reduction also ends if, after you retire, you marry the insurable interest beneficiary and elect to provide a spousal survivor annuity for that person. If you marry someone other than the insurable interest beneficiary after you retire and elect to provide a survivor annuity for your spouse, you may elect to cancel the insurable interest reduction at that time.

Other Benefits and the Effect on Annuity

<u>Social Security Benefits</u>

Entitled to Benefits From the Social Security Administration

If you are eligible for both a FERS annuity and social security benefits and have not retired on a FERS disability annuity, you can receive both benefits at the same time. However, you may be subject to a reduction in the amount of your Social Security Benefits. You should contact the Social Security Administration for information regarding any reduction in your benefit.

If you are a disability annuitant under FERS, you are under age 62, and your annuity benefits were computed using either 60% or 40% of your "high-3" average salary, OPM will reduce your monthly annuity by all or a portion of your Social Security benefits. While you are receiving an annuity computed using the 60% computation, OPM must reduce your monthly annuity by 100% of any Social Security disability benefit to which you are entitled. While you are receiving an annuity computed using the 40% computation, your monthly annuity will be reduced by 60% of any Social Security disability benefit to which you are entitled. This reduction only applies for months in which you are concurrently entitled to both FERS and Social Security benefits.

Receipt of Social Security Benefits If You Are Receiving a FERS Disability Annuity
If you are receiving FERS disability benefits and the Social Security Administration awards you monthly benefits, you must notify OPM of the amount of the monthly Social Security benefit and the effective date of the payment immediately upon becoming eligible. It is your responsibility to minimize any period of overpayment by promptly notifying OPM. You should forward to OPM a copy of the award notice or a statement from the Social Security Administration showing the monthly amount and effective date of your Social Security benefit. This information should be forwarded to: U. S. Office of Personnel Management, Federal Employees Retirement System, Boyers, PA 16017-0001.

FERS disability benefits usually begin before the claim for Social Security benefits is fully processed. Because the FERS disability benefit must be reduced by 100% of any Social Security benefit payable for the first 12 months, Social Security checks should not be negotiated until the FERS benefit has been reduced. The Social Security checks will be needed to pay OPM for the reduction that should have been made in the FERS annuity.

If you are eligible to receive Social Security disability benefits but do not receive them because of eligibility for benefits from the Office of Workers' Compensation Programs (OWCP), you must still notify OPM of your eligibility and the amount you would be eligible to receive if you were not receiving benefits from OWCP.

Receiving a FERS Disability Annuity and Loss of Entitlement to Social Security Benefits
If you lose entitlement to Social Security disability benefits while receiving a FERS disability benefit, you will need to contact OPM. OPM will verify your loss of Social Security Administration (SSA) eligibility and recalculate your benefit without an SSA reduction.

Compensation from the Office of Workers' Compensation Programs (OWCP)

Entitlement to a Total or Partial Disability (Non-Scheduled Award) Award
If your workers' compensation award is based on total or partial disability (a non-scheduled award), you may not receive a FERS annuity during the same period that you are in receipt of OWCP benefits. If you are receiving this type of Workers' Compensation, you must promptly notify OPM of your compensation award.

You should also notify OPM of any change in the reason for your compensation award (for example, your benefit is changed from a scheduled to a non-scheduled award). You will be liable for any overpayment of annuity that occurs due to dual payment of benefits while you are receiving a non-scheduled award. It is your responsibility to minimize any period of overpayment by promptly notifying OPM at: U. S. Office of Personnel Management, Federal Employees Retirement System, Boyers, PA 16017-0001.

Entitlement to a Scheduled Award
If you receive a "scheduled award" from the Office of Workers' Compensation Programs, you may receive both this compensation and any FERS annuity. A "scheduled award" is usually based on a disability resulting from the loss of a function or member of the body, such as a hearing loss or the loss of an arm. You do not need to notify OPM if you receive a scheduled award. However, you need to notify OPM if the scheduled award is converted to a non-scheduled award in the future.

Survivor Rights Under FERS If Your FERS Annuity Has Been Suspended Due To OWCP
If your survivors are not eligible for death compensation benefits from OWCP and you did not get a refund of the amount in your FERS retirement account, they may receive FERS survivor annuity benefits, provided they are otherwise eligible for this benefit. However, the law prohibits receipt of OWCP death compensation and FERS survivor annuity benefits at the same time. Therefore, if your survivors are eligible for both compensation and FERS survivor annuity benefits, they will have to elect which of the two benefits they wish to receive. (A survivor's election to receive death compensation from OWCP in lieu of the survivor annuity terminates the person's right to FERS survivor annuity benefits.)

If your eligible survivors are entitled to OWCP compensation under a "scheduled award" or due to a third party settlement, they may receive a FERS survivor annuity and compensation benefits covering the same period of time.

Death Benefits

As a retiree, two types of benefits may be payable upon your death - a recurring survivor annuity and/or a one-time lump sum benefit.

<u>Survivor Annuity</u>

To a Spouse/Former Spouse/Insurable Interest

If a retiree dies who elected to provide a survivor annuity for:

- his/her surviving spouse and/or former spouse, or
- a person having an insurable interest in him/her, or
- a spouse acquired after retirement, or
- if a qualifying court order, on file at OPM, has awarded benefits to a former spouse,

then a monthly survivor benefit may be payable.

Your spouse may be eligible for a supplementary annuity, in addition to the monthly survivor benefit. This benefit is payable until your spouse becomes eligible for a social security spousal benefit, or reaches age 60, whichever is earlier.

To a Child

If a retiree is survived by:

- unmarried dependent children up to age 18, and/or
- unmarried dependent children from age 18 to age 22 attending an accredited school full-time, and/or
- unmarried, disabled dependent children (certified as such by the Social Security Administration) if the disability occurred before age 18,

then a basic child's survivor annuity may be payable. The combined benefit of all the children is reduced by the total amount of child's insurance benefits that are payable (or would, upon proper application, be payable) under Title II of the Social Security Act for the same month to all children of the deceased (including those of a former marriage who may not be living with the current spouse) based on the total earnings of the deceased. In many cases, the FERS children's benefit is reduced to $0.

Included in Definition of Child
Stepchildren and adopted children are eligible for an annuity upon your death, if they meet the qualifications above. In addition, they must have lived with you in a regular parent-child relationship.

Children born out of wedlock are also eligible for a survivor annuity if they meet the qualifications above, you recognized the child as your own, and the child was dependent on you. A child born out of wedlock is dependent on you if:

- the child lived with you in a regular parent-child relationship, or
- a judicial determination of support was made, or
- there is proof that you made regular and substantial financial contributions to his/her support.

Beginning and Termination of Survivor Benefits

To a Widow
A recurring monthly survivor annuity begins the day after your death, or the day after the entitlement of any former spouse ends, if that entitlement had prevented the widow from receiving the survivor annuity. It continues to the last day of the month before the one in which he/she remarries before reaching age 55 (unless he/she was married to you for at least 30 years), or dies. If the survivor annuity is terminated due to marriage before age 55 and the remarriage is ended by death, annulment, or divorce, the survivor annuity will be restored effective the date the marriage ends. Marriage at age 55 or older will not affect the survivor annuity.

To a Former Spouse
A recurring monthly survivor annuity begins the day after your death, or the first day of the second month after OPM receives written notice of a qualifying court order. It continues for life unless the former spouse remarries before age 55, or the terms of the court order are satisfied. If the former spouse's survivor annuity is terminated due to remarriage before age 55, it will not be reinstated in the future if the remarriage ends (even if the marriage is annulled).

To an Insurable Interest
A recurring monthly insurable interest survivor annuity begins the day after your death and continues for life regardless of whether the insurable interest remarries.

To a Child
A child's survivor benefit begins on the day after your death and terminates at age 18, or when the child marries, whichever is earlier. Exceptions are made for adult students aged 18-22 and disabled children.

Disabled Children
Payments to a disabled child terminate at the end of the month before the one in which he/she marries, dies, recovers from the disability, or becomes capable of self-support.

Adult Student Age 18-22
Payments to a student age 18-22 who attends school full-time terminate at the end of the month before the one in which he or she marries, dies, ceases to be a full-time student, enters military service on active duty, enters any of the government service academies (such as the U.S. Naval Academy), transfers to a non-recognized school, fails to submit proof (when requested) that he or she is attending school full-time, or reaches age 22, whichever occurs first. If the adult student's 22nd birthday falls during the school year (September 1 through June 30) and he/she continues full-time schooling, payments will be continued to the end of the month preceding the one in which full-time schooling stops or to June 30, whichever is earlier.

Note: An annuity payable to a child under age 18, a disabled child or an adult student age 18-22, that was terminated because of marriage, can be reinstated if the marriage ends due to divorce, annulment or death.

Lump Sum Benefit
If a retiree dies, a lump sum benefit equal to the annuity due the deceased, but not paid before death, may be payable. If no survivor annuity is payable, the balance of any retirement contributions remaining to the deceased person's credit in the Civil Service Retirement and Disability Fund, plus applicable interest, may also be payable.

Payees for Lump Sum Benefits
If a lump sum benefit is payable, it is paid to the first person eligible under the following order of precedence:

- beneficiary designated by the deceased in writing which is signed and witnessed and is received by OPM prior to death; or, if none, then to

- spouse of the deceased; or, if none, then to
- children of the deceased (or descendants of deceased children); or, if none, then to
- parents of the deceased; or, if none, then to
- executor or administrator of the deceased person's estate; or, if none, then to
- next of kin of the deceased according to the laws in the deceased person's state of domicile.

Designating a Beneficiary for Lump Sum Payable Upon Your Death
To designate a beneficiary for any lump sum that may be payable upon your death, you must complete form SF 3102, "Designation of Beneficiary," and forward it to: Office of Personnel Management, Federal Employees Retirement System, Retirement Operations Center, Boyers, PA 16017-0001.

After you complete and return this form in duplicate to OPM, OPM will validate it and return the duplicate copy to you. You may also want to make a designation for your Federal Employees' Group Life Insurance (FEGLI) coverage. You will need an SF 2823, "Designation of Beneficiary," for this purpose. You can get a copy of either of these forms by calling OPM toll-free at 1-888-767-6738 (those within local calling distance to Washington, D.C. should call (202) 606-0500).

<u>Applying for Benefits</u>

Applying for Death Benefits
Upon your death, your survivors should inform OPM of your death and provide OPM with your annuity claim number (CSA number), date of birth, and date of death. Your survivors or beneficiaries must apply for benefits by requesting and filing form SF 3104, "Application for Death Benefits." They can get an application form by calling OPM toll-free at 1-888-767-6738 (those within local calling distance to Washington, D.C. should call (202) 606-0500), or writing to: Office of Personnel Management, Federal Employees Retirement System, Retirement Operations Center, Boyers, PA 16017-0001.

Applying for Life Insurance Benefits
When OPM is informed of your death, they will send the appropriate survivor(s) a Federal Employees' Group Life Insurance claim form to use to apply directly to the Office of Federal Employees' Group Life Insurance in New York. That office authorizes life insurance payments.

Survivor Entitlement to Federal Employees Health Benefits Coverage
If you are enrolled in a self and family plan on the date of your death, your enrollment will automatically continue for all covered family members, provided at least one family member is eligible for a survivor annuity. If the survivor annuitant who continues the enrollment is your spouse and he/she remarries after attaining age 55, the new husband or wife (and his/her children) cannot be added to the enrollment. Remarriage before age 55 will terminate your surviving spouse's health benefits coverage. Coverage will continue for other eligible family members if at least one of them is eligible for survivor annuity.

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Applying for Death Benefits

This chapter applies to people applying for benefits that may be payable under FERS because of the death of an employee, former employee, or retiree who was covered by FERS at the time of his or her death or separation from federal service.

Eligibility For Death Benefits

Type of Death Benefits Payable:
The type of benefit(s) payable under FERS depends in part on whether the deceased was an employee, a former employee, or a retiree at the time of death. In addition, the amount of creditable federal service (both civilian and military) and the relationship of the applicant to the deceased determine the type of benefit payable.

Definitions:

Employee
Anyone who was still on the agency's employment rolls at the time of death, even if he or she had applied for disability retirement and his or her pay had already stopped.

Former Employee
Anyone who was no longer on an agency's employment rolls at the time of death and had not yet qualified for retirement benefits.

Retiree
Anyone who had been separated from an agency's employment rolls and had met all the requirements for retirement (including having filed an application for retirement benefits). An individual who was eligible for an immediate retirement when he or she separated from federal service, but who postponed applying for benefits to avoid an age reduction, is deemed to have applied for retirement beginning the first of the month after death. Benefits due, in this instance, are those based on the death of a retiree.

Benefits Payable Upon Death of Employee

Basic Employee Death Benefit:

To a Spouse-
If the employee who dies had at least 18 months of creditable civilian service and is survived by a spouse who:

- was married to the deceased for an aggregate of at least nine months (the nine month requirement does not apply if the death was accidental); or

- was the parent of a child born of the marriage (including one born posthumously, or out of wedlock if the parties later married);

then the spouse may be eligible for a Basic Employee Death Benefit.

To a Former Spouse-
This benefit may be payable to a former spouse (in whole or in part) if a qualifying court order is on file at OPM and the former spouse was married to the deceased for a total period of at least nine months and did not remarry before reaching age 55.

Survivor Annuity:

To a Spouse-
If an employee who dies with at least 10 years of creditable service (18 months of which must be civilian service) is survived by a spouse who:

- was married to the deceased for a total period of at least nine months (the nine month requirement does not apply if the death was accidental); or
- was the parent of a child born of the marriage (including one born posthumously, or out of wedlock if the parties later married)

then the spouse may be eligible for a monthly survivor benefit.

To a Former Spouse-
This benefit may be paid in whole or in part to a former spouse if a qualifying court order is on file at OPM.

To a Child-
If an employee with at least 18 months of creditable civilian service is survived by:

- unmarried dependent children up to age 18; and/or
- unmarried dependent children from age 18 to age 22 if attending an accredited educational institution full-time, and/or
- unmarried, disabled dependent children (certified as such by the Social Security Administration) if the disability occurred before age 18;

then a basic child's survivor annuity may be payable. The combined benefit of all the children is reduced by the total amount of child's insurance benefits that are payable (or would, upon proper application, be payable) under Title II of the Social Security Act for the same month to all children of the deceased (including those of a former marriage who may not be living with the current spouse) based on the total earnings of the deceased. In many cases, the FERS children's benefit is reduced to $0.

Lump Sum Benefit:
If an employee dies and no survivor annuity is payable based on his/her death, the retirement contributions remaining to the deceased person's credit in the Civil Service Retirement and Disability Fund, plus applicable interest, are payable.

Payees for Lump Sum Benefits-
If a lump sum benefit is payable, it is paid to the first person eligible under the following order of precedence:

- beneficiary designated by the deceased in writing which is signed and witnessed and is received at his/her employing agency (or OPM if the deceased was a retiree or a separated employee) prior to death; or, if none, then to
- spouse of the deceased; or, if none, then to
- children of the deceased (or descendants of deceased children); or, if none, then to
- parents of the deceased; or, if none, then to
- executor or administrator of the deceased person's estate; or, if none, then to
- next of kin of the deceased according to the laws in the deceased person's state of domicile.

Benefits Payable Upon Death of Former Employee (Not Yet Retired)

Survivor Annuity:

To a Spouse-
If a former employee who dies with at least 10 years of creditable service (5 years of which must be creditable civilian service), is survived by a spouse who was married to the deceased at the time of his/her separation from federal civilian service, and who:

- was married to the deceased for a total period of at least nine months (the nine month requirement does not apply if the death was accidental); or
- was the parent of a child born of the marriage (including one born posthumously, or out of wedlock if the parties later married);

then the spouse may be eligible for a monthly survivor benefit. The benefit begins on the date the deceased former employee would have been eligible for an unreduced annuity, unless the survivor chooses to have it begin at a lower rate on the day after the employee's death. The former employee would have been eligible for an unreduced annuity at age 62 with a minimum of 10 years of creditable service and less than 20 years of service, at age 60 with 20 or more years of service, or at his/her Minimum Retirement Age (MRA) according to the following schedule, with 30 years of service:

If deceased was born in:	His/her MRA is:
1947 to Prior	55 years
1948	55 years, 2 months

1949	55 years, 4 months
1950	55 years, 6 months
1951	55 years, 8 months
1952	55 years, 10 months
1953 to 1964	56 years
1965	56 years, 2 months
1966	56 years, 4 months
1967	56 years, 6 months
1968	56 years, 8 months
1969	56 years, 10 months
After 1969	57 years

Instead of a survivor annuity, the eligible spouse can elect to receive a lump sum payment of the contributions remaining to the deceased person's credit in the retirement fund.

To a Former Spouse-
This benefit may be paid in whole or in part to a former spouse if a qualifying court order is on file at OPM.

Lump Sum Benefit:

If a former employee dies and no survivor annuity is payable, the retirement contributions remaining to the deceased person's credit in the Civil Service Retirement and Disability Fund, plus applicable interest, are payable.

Payees for Lump Sum Benefits-
If a lump sum benefit is payable, it is paid to the first person eligible under the following order of precedence:

- beneficiary designated by the deceased in writing which is signed and witnessed and is received at his/her employing agency (or OPM if the deceased was a retiree or a separated employee) prior to death; or, if none, then to
- spouse of the deceased; or, if none, then to
- children of the deceased (or descendants of deceased children); or, if none, then to
- parents of the deceased; or, if none, then to
- executor or administrator of the deceased person's estate; or, if none, then to
- next of kin of the deceased according to the laws in the deceased person's state of domicile.

Benefits Payable Upon Death of Retiree

Survivor Annuity:

To a Spouse/Former Spouse/Insurable Interest:
If a retiree dies who, at retirement, elected to provide a survivor annuity for -

- his/her surviving spouse and/or former spouse, or
- a person having an insurable interest in him/her, or
- a spouse acquired after retirement, or
- if a qualifying court order, on file at OPM, has awarded benefits to a former spouse,

then a monthly survivor benefit may be payable.

To a Child:

If a retiree is survived by –

- unmarried dependent children up to age 18, and/or
- unmarried dependent children from age 18 to age 22 attending an accredited school full-time, and/or
- unmarried, disabled dependent children (certified as such by the Social Security Administration) if the disability occurred before age 18,

then a basic child's survivor annuity may be payable. The combined benefit of all the children is reduced by the total amount of child's insurance benefits that are payable (or would, upon proper application, be payable) under Title II of the Social Security Act for the same month to all children of the deceased (including those of a former marriage who may not be living with the current spouse) based on the total earnings of the deceased. In many cases, the FERS children's benefit is reduced to $0.

Lump Sum Benefit:

If a retiree dies, a lump sum benefit equal to the annuity due the deceased, but not paid before death, may be payable. If no survivor annuity is payable, the balance of any retirement contributions remaining to the deceased person's credit in the Civil Service Retirement and Disability Fund, plus applicable interest, may also be payable.

Payees for Lump Sum Benefits -
If a lump sum benefit is payable, it is paid to the first person eligible under the following order of precedence:

- beneficiary designated by the deceased in writing which is signed and witnessed and is received at his/her employing agency (or OPM if the deceased was a retiree or a separated employee) prior to death; or, if none, then to
- spouse of the deceased; or, if none, then to

- children of the deceased (or descendants of deceased children); or, if none, then to
- parents of the deceased; or, if none, then to
- executor or administrator of the deceased person's estate; or, if none, then to
- next of kin of the deceased according to the laws in the deceased person's state of domicile.

How To Apply for Death Benefits

All applicants for death benefits should complete Standard Form (SF) 3104, "Application for Death Benefits." Specific instructions for completing SF 3104 are contained on the form itself. In certain situations, you must also complete the following additional forms.

If the deceased was a retiree at the time of death - If you are the surviving spouse, complete SF 3104A, which is attached to SF 3104. Instructions for completing SF 3104A are contained on the form itself.

If the deceased was an employee at the time of death - If you are the surviving spouse or former spouse, you and the deceased person's employing agency should complete SF 3104B, which can be obtained from the deceased person's former employing agency. Instructions for completing SF 3104B are contained on the form itself.

Submitting Completed Application - If the deceased was an employee at the time of death, submit your completed application, with the requested attachments, to the personnel office of the agency where the deceased was last employed.

If the deceased was a former employee or a retiree, send your completed application to: U.S. Office of Personnel Management, Federal Employees Retirement System, Post Office Box 200, Boyers, PA 16017-0200.

How to Have Survivor Annuity Payments Sent to a Bank or Financial Institution
Public Law 104-134 requires that everyone who becomes eligible for federal payments on or after July 26, 1996, must be paid by direct deposit into a savings or checking account at a financial institution unless they do not have a savings or checking account in any financial institution and do not establish one or have one established for them by an authorized payment agent.

Effective January 1, 1999, the law requires that most federal payments be made by direct deposit, regardless of when the benefit began. This applies to all retirees and survivor annuitants. If you are not already enrolled in the Direct Deposit Program and you live where direct deposit is available, you should make arrangements to comply with this law.

There are several advantages to direct deposit. You avoid the bother of traveling to a bank or other financial institution to cash or deposit your check. You may earn a few days extra interest each month and save travel costs and time. And you don't have to worry that the check will be lost in the mail. It also assures that payments are deposited and available for your use, even when you are away from home.

When you elect direct deposit, you will continue to receive other information at your mailing address. Complete Section I of SF 3104, “Application for Death Benefits,” to have your payments sent to a financial institution or to certify that you do not have a savings or checking account. If you change to this option or change accounts after your payments begin, you can either call OPM at (202) 606-0500, or send form SF 1199A, “Direct Deposit Sign-Up Form,” to OPM. You can obtain the form from your bank. Both you and your bank need to complete the form. Include your claim number on the form. It’s advisable to leave your old account open until you have verified that a payment has been deposited in your new one.

Changing Mailing Address if Your Address Changes Before Processing is Completed
If your address changes before you receive your claim number, write to OPM, giving your name, date of birth, your Social Security number, and the deceased person’s name, date of birth and Social Security number. If you have received your claim number, you can either telephone OPM or write to OPM to report your new address. Please refer to your claim number in any correspondence. You can phone OPM at (202) 606-0500. If you prefer to write, you should report your new address to:

U.S. Office of Personnel Management
Change-of-Address Section
P.O. Box 440
Boyers, PA 16017-0440

In addition, you should notify your old post office of your forwarding address.

Information About Having Eligible Payments Rolled Over Into An IRA
As of January 1, 1993, surviving spouses are eligible to request that OPM pay a direct tax-free rollover of the taxable portion of lump sum payments to an IRA (individual retirement arrangement), if the taxable portion is $200 or more. Benefits eligible for rollover are:

1. The taxable portion of the Basic Employee Death Benefit, whether paid in a lump sum or in 36 installments. (All of the benefit is taxable except the one-time $5,000 death benefit exclusion applied to lump sum payments.)
2. Interest on employee contributions, excess retirement deductions and/or voluntary contributions.
3. The taxable portion of alternative annuity lump sum payments that were not paid to a deceased retiree.

Eligible benefits that are not rolled over into an IRA have a mandatory federal tax withholding of 20 percent of the payments.

If you are a surviving spouse and are eligible to receive one of the above benefits, you can either make the election when completing the application, or, if an election is not received with your application, OPM will send you information about your eligibility to roll over the benefits after computing the taxable portion of any lump sum you are due to receive.

WRIGHT & CO.

Active or Retired Federal Employee Benefits

As you look towards retirement or are enjoying retirement, understand the following benefits are available to you:

Long Term Care

A multipurpose protection program

We can help take the confusion and misinformation out of your search to understand "what if" and "do I need" Long Term Care Insurance. Let us help you understand:

- Who pays for Long Term Care Insurance?
- What is Medicare all about?
- What is Medicare Supplement Insurance?
- What are the state laws on Medicaid?
- Is Long Term Care right for you?

Personal Umbrella Liability Insurance

Protect your assets and the financial security of your family

Our unique Personal Umbrella Liability Plan supplements current liability limits on your existing auto, homeowners and recreational equipment insurance.

The limits of coverage are $1 million, $3 million or $5 million. The coverage protects you anywhere in the world. The cost of your full legal defense is also provided. Claims brought against you or your family are covered for any unforeseen or uncovered loss where there is no primary insurance required (subject to a $500 deductible). Boats, rental properties and personal injury are covered. An uninsured motorist endorsement is also available.

Wright & Co.
Personal Umbrella Liability Insurance Rates

Choose the level of coverage that suits your needs	Annual Premium	Quarterly Premium
$5,000,000	$ 364.00	$ 92.00
3,000,000	260.00	66.00
1,000,000	156.00	40.00

Uninsured Motorist Endorsement is only $100 more. Payroll allotment is not available.

For more information… Go to www.wrightandco.com or contact us directly at 1-800-424-9801 / 202-289-0200.

WRIGHT & CO.

Active or Retired Federal Employee Benefits (continued)

Life Insurance Coverage

Plan now for your family's continuing security

Life insurance is always a concern but is not usually made understandable. Wright & Co. and our Regional Representatives will help make it understandable. We will talk with you about the differences of Permanent and Term insurance coverage. We will help you plan your benefits to fit your budget.

CIGNA Dental Care

To help reduce the high cost of going to the dentist

Our CIGNA Dental Care provides economical group dental coverage for you and your family. There is no additional charge for checkups including exams, routine cleanings and x-rays. Many other procedures are also fully covered. More complicated procedures are performed at a substantially lower cost than you would normally pay with other plans. We offer two Dental Care plans-Premier and Economy-to meet your needs and budget. The premier plan is more comprehensive with higher premiums while economy is less extensive with lower rates.

Dental Care Rates*

	Quarterly		Bi-Weekly Payroll Allotment**	
	Premier	Economy	Premier	Economy
Employee Only	$ 81.23	$ 47.78	$ 12.50	$ 7.35
Employee and Spouse	139.61	75.62	21.48	11.63
Employee and Child(ren)	145.52	78.68	22.39	12.10
Employee and Full Family	218.72	113.42	33.65	17.45

Dependents can be covered up to age 19 (age 23 if full-time student).
Handicapped dependents can be covered as long as your plan is in effect.
**These rates include a $26.00 annual administrative fee.*
***Bi-Weekly Allotments are rounded up to the nearest dollar.*

For more information… Go to www.wrightandco.com or contact us directly at 1-800-424-9801 / 202-289-0200.

WRIGHT & CO.

Active Federal Employee Benefits

Professional Liability Insurance

Protecting your career, reputation, character and assets

As an active federal employee, our plan picks up the full cost of your legal defense and pays covered damages awarded against you (up to the selected policy limit), *even if the Justice Department refuses to defend you*.

Wright & Co. offers an exclusive Professional Liability Insurance plan, which was designed specifically to protect federal employees. You are protected anywhere in the world against losses from lawsuits stemming from the performance of your official federal duties. This plan pays your defense costs even against groundless or fraudulent suits. These are in addition to your liability limit and are without limitation. There is no deductible and, where allowed by state law, pays punitive damages up to your coverage limit.

The Federal Government does not guarantee you coverage or even an attorney in the event that you are sued.

You are at risk when you are acting within the scope of your job; including delegating assignments, evaluations, working at your desk or meeting with the public. Away from your desk, you could be exposed to an even greater risk of lawsuits from private citizens. Frivolous or not, this could cost you thousands of dollars.

The Federal Tort Claims Act states that the government can choose whether or not to defend you and cannot cover any monetary damages levied against you personally.

Agencies reimburse up to 50%

Wright & Co.
Professional Liability Insurance Rates*

	Annual Payment	Bi-Weekly Payroll Allotment**
$1 million	$292.00	$11.23
$500,000	229.00	8.81

**These rates include a $26 annual administrative fee.*
***Wright & Co. policy requires that allotments be whole dollars.*
The additional pennies are used to purchase AD&D coverage.

Wright & Co.'s Professional Liability Plan…

Don't Go To Work Without It!

For more information… Go to www.wrightandco.com or contact us directly at 1-800-424-9801 / 202-289-0200.

Active Federal Employee Benefits (continued)

Long Term Disability Insurance

When working for an income is no longer an option

Your ability to earn an income is your single greatest asset. What would you do if you suddenly became seriously ill or injured and could no longer work? How would you pay your bills?

Consider the impact of the following scenarios…

A federal employee became totally disabled because of a work-related injury. Worker's Compensation did not approve or pay benefits for over three years. This employee stated that he and his wife would have lost their home without Wright & Co.'s LTD income benefits.

A federal employee died after a long bout with cancer. His children were able to continue their college education with the help of the Survivor's Benefit they received under his Wright & Co. LTD coverage.

You may now want to consider…

Wright & Co.'s Long Term Disability Income Insurance

Our Long Term Disability Income program was designed specifically for federal employees. It provides insurance protection in three special ways:

1. Monthly Disability Income Replacement
2. Hospital Income Benefits
3. Supplemental Pension Benefit

Long Term Disability Insurance Rates Per $10,000

	Quarterly	Bi-Weekly Payroll Allotment*
Member (under age 50)	$ 25.00	$ 3.846
Member (age 50 or older)	30.00	4.615
Spouse**	6.41	0.986
Each Child**+	1.84	0.283

Coverage is based on member's insured salary rounded to the next highest $1,000 not to exceed $126,000 annually.
**Bi-Weekly Allotments are rounded up to the nearest dollar.*
***Dependents only receive Hospital Income Benefits.*
+CSRS rates apply to each child. FERS rates apply for all children.

For more information… Go to www.wrightandco.com or contact us directly at 1-800-424-9801 / 202-289-0200.

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Appendix A - January 2002 Cost-of-Living Adjustments

Retired federal employees and entitled surviving family members of deceased federal employees and retirees will receive a cost-of-living increase effective December 1, 2001, which will first be reflected in the benefit payable January 2, 2002.

Under the Civil Service Retirement System (CSRS) and the Organization Retirement and Disability System (ORDS), the cost-of-living increase will be 2.6 percent for those who have received benefits for at least one year. The 2.6 percent increase was determined by computing the percentage increase in the Consumer Price Index (CPI) for urban wage earners and clerical workers from the third quarter average of 2000 to the third quarter average of 2001, as provided by the U.S. Department of Labor, Bureau of Labor Statistics.

Under the Federal Employees' Retirement System (FERS) and FERS Special, the cost-of-living increase will be 2.0 percent for those who have received benefits for at least one year. This amount was derived from the same CPI comparison as CSRS. However, if the change in the Consumer Price Index is between two and three percent, the FERS COLA is 2.0 percent. Federal Employees' Retirement System and FERS Special adjustments are not provided until age 62, except for disability and survivor benefits.

To get the full COLA, a retiree or survivor annuity must have begun no later than December 31, 2000. If not, the increase is prorated under both plans. Pro rated accounts receive one-twelfth of the increase for each month they received benefits. For example, if the benefit commenced November 30, 2001, the prorated COLA would be one-twelfth of the full COLA. Under both plans, benefits are paid on the first business day of the month after the month in which they accrue. Benefits which accrue in December 2001 are payable on January 2, 2002.

Note: A benefit will not be increased if it would cause the annuitant to receive payments in excess of any cap amount specified by law.

The table below shows the actual prorated percentages that apply according to the month in which the annuity began.

Federal Employees' Retirement System and FERS Special

Month Annuity Began	Amount of Percentage Increase
December 2000 or earlier	2.0
January 2001	1.8
February 2001	1.7
March 2001	1.5
April 2001	1.3
May 2001	1.2
June 2001	1.0
July 2001	0.8
August 2001	0.7
September 2001	0.5
October 2001	0.3
November 2001	0.2

Appendix B - Present Value Factors for FERS

Below are the present value factors applicable to retirees who elect to provide survivor annuity benefits to a spouse based on a post-retirement marriage and to retiring employees who elect the alternative form of annuity or elect to credit certain service with nonappropriated fund instrumentalities.

Several provisions of the Federal Employees Retirement System (FERS) require reduction of annuities on an actuarial basis. Under each of these provisions, OPM must issue regulations on the method of determining the reduction to ensure that the present value of the reduced annuity plus a lump sum equals, to the extent practicable, the present value of the unreduced benefit.

Section 842.706(a) of Title 5, Code of Federal Regulations, prescribes the method for computing the reduction in the beginning rate of annuity payable to a retiree who elects an alternative form of annuity under 5 U.S.C. 8420a. That reduction is required to produce an annuity that is the actuarial equivalent of the annuity of a retiree who does not elect an alternative form of annuity.

Section 842.615 of Title 5, Code of Federal Regulations, prescribes the use of similar factors for computing the reduction required for certain elections to provide survivor annuity benefits based on a post-retirement marriage or divorce under section 8416(b) or (c) or section 8417(b) of title 5, United States Code. Under section 11004 of the Omnibus Budget Reconciliation Act of 1993, Public Law 103-66, effective October 1, 1993, OPM ceased collection of these survivor election deposits by means of either a lump sum payment or by installments. Instead, OPM is required to establish a permanent actuarial reduction in the annuity of the retiree. This means that OPM must take the amount of the deposit computed under the old law, and "translate"' it into a lifetime reduction in the retiree's benefit. The reduction is based on actuarial tables, similar to those used for alternative forms of annuity under section 8420a of title 5, United States Code.

Subpart F of part 847 of Title 5, Code of Federal Regulations, prescribes the use of similar factors for computing the deficiency the retiree must pay to receive credit for certain service with nonappropriated fund instrumentalities made creditable by an election under section 1043 of Public Law 104-106.

The current present value factors are as follows:

Table I - FERS Present Value Factors Ages 62 and Older

[Applicable to Annuity Payable Following an Election under Section 8416 (b) or (c) or Section 8417(b) or Section 8420a of Title 5, United States Code, or under Section 1043 of Public Law 104-106]

Age	Present value factor
62	160.0
63	155.6
64	151.3

65	147.0
66	142.7
67	138.4
68	134.0
69	129.5
70	125.0
71	120.4
72	115.7
73	111.1
74	106.4
75	101.7
76	97.1
77	92.6
78	88.1
79	83.8
80	79.5
81	75.4
82	71.4
83	67.6
84	64.0
85	60.4
86	57.1
87	53.9
88	50.9
89	48.0
90	45.2

Table II - FERS Present Value Factors Ages 40 Through 61

[Applicable to Annuity Payable Following an Election under Section 8416(b) or (c) or Section 8417 (b) or Section 8420a of Title 5, United States Code, or under Section 1043 of Public Law 104-106 when Annuity is not increased by COLA's before Age 62]

Age	Present value factor
40	167.4
41	166.7
42	166.2
43	166.0
44	165.9
45	165.5
46	165.1
47	164.8
48	164.6

49	164.1
50	163.5
51	163.4
52	163.3
53	163.2
54	162.9
55	162.5
56	162.6
57	162.8
58	162.9
59	163.5
60	164.5
61	165.2

Table III - FERS Present Value Factors Ages 40 Through 61

[Applicable to annuity payable following an election under section 8416(b) or (c) or section 8417(b) or section 8420a of title 5, United States Code, or under section 1043 of Public Law 104-106 when annuity is increased by COLA's before age 62]

Age	Present value factor
40	236.4
41	233.0
42	230.0
43	227.4
44	224.7
45	221.9
46	219.0
47	216.1
48	213.1
49	210.0
50	206.8
51	203.5
52	200.1
53	196.5
54	192.8
55	188.9
56	185.0
57	181.0
58	176.9
59	172.7
60	168.5
61	164.3

Table IV - FERS Present Value Factors for Ages at Calculation Below 40

[Applicable to an Annuity Payable Following an Election under Section 1043 of Public Law 104-106]

Age at calculation	Present value of a monthly annuity
17	287.3
18	285.7
19	284.1
20	282.4
21	280.7
22	278.9
23	277.1
24	275.2
25	273.3
26	271.3
27	269.2
28	267.1
29	264.9
30	262.7
31	260.4
32	258.0
33	255.6
34	253.0
35	250.5
36	247.8
37	245.1
38	242.3
39	239.5

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