Retirement Planning for Civil Service Employees

Civil Service Retirement Benefits

Insurance Programs

Thrift Savings Plan

Social Security Benefits

Financial Planning for Federal Employees

U. S. Fish and Wildlife Service
& National Park Service

September 15, 17 and 18, 2014

This publication was designed as a training aid to accompany the Retirement Planning for CSRS Employees broadcast for U. S. Fish and Wildlife Service employees and National Park Service employees on September 15 - 18, 2014. This publication is not intended to provide a comprehensive discussion of benefits, but to overview the various benefits available to retiring Federal employees. The publication and presentations are provided with the understanding that the author is not providing advice, counseling or other professional services in this publication or presentations. If the reader desires counseling or other professional services, we strongly encourage the reader to seek such services from the agency benefits office or a professional specializing in that area.

Retirement Planning for CSRS and CSRS Offset Employees

This three-day presentation is designed for CSRS employees and CSRS Offset employees within 5 years of retirement eligibility to help employees better understand their federal benefits and make informed retirement and financial planning decisions.

Objectives:

CSRS Retirement Benefits:

At the end of this lesson, the participant should be able to:

1. Determine eligibility for retirement.
2. Identify the types of service credited in the retirement and how the retirement benefit is calculated.
3. Identify periods of temporary service, determine how deposits will impact the retirement benefit and identify the procedures for payment.
4. Identify creditable military service, the impact of paying a military deposit on the CSRS retirement benefit and the procedures for payment.
5. Determine the reduction in your annuity if survivor benefits are elected and determine the amount of survivor annuity payable.
6. Confirm that all service has been documented in the Official Personnel Folder (OPF).

Insurance Programs:

At the end of this lesson, the participant should be able to:

1. Determine eligibility to continue Federal Employees' Health Benefits (FEHB) into retirement.
2. Determine eligibility to continue Federal Employees' Group Life Insurance (FEGLI) into retirement and identify the costs and reductions that may occur in life insurance at age 65.

Thrift Savings Plan:

At the end of this lesson, the participant should be able to:

1. Recognize annual limits on employee contribution to TSP.
2. Describe options for withdrawing money from the Thrift Savings Plan after retirement.
3. Identify calculators and publications available in the TSP web site to assist employees in selecting withdrawal options.

Social Security Benefits:

At the end of this lesson, the participant should be able to:

1. Determine eligibility for Social Security benefits.
2. Recognize the effect of Windfall Benefits Elimination Provision, if any, on your Social Security Benefit.
3. Determine if your spouse may be entitled to Social Security family benefits based upon your work record.
4. Determine if you will be entitled to Social Security family benefits based upon your spouse's work record.
5. Recognize the impact of Government Pension Offset and the Dual Entitlement Provision on Social Security family benefits.

Financial Planning:

At the end of this lesson, the participant should be able to:

1. Create and monitor financial goals and objectives.
2. Identify investment options to achieve for financial goals.
3. Determine level and type of debt appropriate for retirees.
4. Determine appropriate withdrawal strategy for TSP, IRA and 401(k) distributions.
5. Recognize the differences in the following legal documents and what they can accomplish:
   - Will
   - Power of Attorney
   - Health Care Power of Attorney (or Directive)
   - Revocable Living Trust
   - Living Will

Participant Handbook Chapters:

Please print the participant handbook chapters to accompany the presentations. Handbook chapters are designed to be printed double sided.

1. CSRS Retirement Benefits
2. Insurance Programs
3. Thrift Savings Plan
4. Social Security Benefits
5. Financial Planning for Federal Employees

To Receive Credit for this Class:

To Receive Credit for this Class:

- Take the on-line evaluation at - www.nps.gov/training/tel
- Click on the DOI Learn tab
- Go to the link under Class Evaluations for Retirement Planning for CSRS Employees
- Please complete the evaluation within 2 weeks.

Retirement Planning
for Federal Employees
U.S. Fish and Wildlife Service & National Park Service
September 15 - 18, 2014

This four-day presentation is designed for Civil Service employees and FERS employees within 5 years of retirement eligibility to help employees better understand their federal benefits and make informed retirement and financial planning decisions. Please note separate presentations for CSRS employees and FERS employees on September 15 and 16.

Day 1: Monday, September 15, 2014 (12:00 pm - 4:30 pm EST)
CSRS Retirement Benefits (CSRS employees only)
Instructor: Joanne McGehrin, Federal Benefits Specialist
Retirement Eligibility
Annuity Computations
Survivor Benefits
Credit for Civilian Service (Refunded Service / Non-deduction Service)
Credit for Military Service / Post-56 Deposits
CSRS Offset Benefits (CSRS Offset Employees only)

Day 2: Tuesday, September 16, 2014 (12:00 pm - 4:30 pm EST)
FERS Retirement Benefits (FERS employees only)
Instructor: Joanne McGehrin, Federal Benefits Specialist
FERS Overview & Retirement Eligibility
Credit for Service (Unused Sickleave, Non-deduction Service, Military Service)
Annuity Computations / Retiree Annuity Supplement
Survivor Benefits
CSRS / FERS Transfer Benefits (Transfer Employees Only)

Day 3: Wednesday, September 17, 2014 (12:00 pm - 4:30 pm EST)
Financial Planning for Retirement (All employees)
Instructor: Karen Schaeffer, Certified Financial Planner
Assessing Retirement Readiness
Setting Goals
Appropriate Use of Debt
Housing Choices / Mortgage Considerations / Reverse Mortgages
Allocation of TSP and Other Assets
Traditional and Roth IRAs
Estate Planning Documents and Strategies
Life Insurance
Long Term Care Insurance

Day 4: Thursday, September 18, 2014 (12:00 pm - 4:30 pm EST)
Other Federal Benefits (All employees)
Instructor: Joanne McGehrin, Federal Benefits Specialist
Retirement Application Process
Annuity Commencing Dates
Insurance Programs (FEHB / Medicare / FEGLI)
Thrift Savings Plan - Withdrawal Options
Social Security Benefits

Civil Service Retirement Benefits

Retirement Eligibility

Annuity Benefits

Survivor Benefits

Credit for Service

Voluntary Contributions

Retirement Application Process

CSRS Offset Benefits

Civil Service Retirement Benefits

Contents

Retirement Eligibility

Basic Eligibility Requirements:

1. 5 years of creditable civilian service

2. Subject to the retirement system for 1 out of the 2 years immediately preceding the separation on which the retirement is based (except disability).

Age and Service Requirements

		Age	Years of Service
1.	Optional	55 60 62	30 20 5
2.	Early Optional (VERA)	50* Any*	20 25
3.	Discontinued Service (DSR)	50* Any*	20 25
4.	Disability	Any	5
5.	Deferred	62	5
6.	Law Enforcement / Firefighters	50	20

*** Age Reduction:**
Annuity is reduced 2% for each year retiree is under age 55, 1/6 of 1% for each full month under age 55.

Types of Retirement

Optional Retirement (Full Immediate Benefits)

You may voluntarily retire and receive full unreduced retirement benefits at any time after meeting one of the following age and service combinations.

Age	Service
55	30
60	20
62	5

Early Optional Retirement (VERA) (Voluntary Separation)

If you are offered an early optional retirement, you may voluntarily retire if you meet the age and service requirements shown below. Agencies may be granted permission to offer early retirements by OPM if the agency is undergoing a major reduction in workforce, reorganization or transfer of function. Agencies such as the Department of Defense that have been granted agency-specific VERA are not required to seek OPM approval for their use of this option. Your annuity benefit will be reduced by 2% for each year (1/6 of 1% per month) that you are under age 55 on date of retirement.

Age	Service
50	20
Any age	25

Discontinued Service Retirement (DSR) (Involuntary Separation)

If you are involuntarily separated from your position and are not given a “reasonable offer” of another position, you receive an immediate annuity if you have met the age and service requirements shown below. Your annuity benefit will be reduced by 2% for each year (1/6 % per month) that your are under age 55 on date of retirement.

Age	Service
50	20
Any age	25

Types of Retirement
(Continued)

Disability Retirement

If you become disabled, unable to provide useful and efficient service in your current grade or pay level because of a medical condition, you may be eligible for a disability retirement at any age after five years of civilian service.

Deferred Retirement

If you separate from service before meeting the eligibility requirements for an immediate annuity and do not take a refund of retirement contributions, you will be eligible for deferred retirement benefits at age 62. You will not be permitted to continue or reinstate Federal Employees' Health Insurance (FEHB) or Federal Employees' Group Life Insurance (FEGLI).

Law Enforcement Officers and Firefighters

You are eligible for full, unreduced benefits and receive the more generous LEO / FF calculation at age 50 or older after completing 20 years of qualifying law enforcement or firefighter service.

CSRS Retirement Eligibility

Type of Retirement Age/Service Requirements	Year-Age-Service	Basic Annuity (% of Average Salary)	Comments
Full Immediate Benefits 55 - 30 60 - 20 62 - 5			
Early Optional Retirement (VERA) 50 - 20 Any Age- 25			Agency must offer early retirement opportunity Age Reduction (2% / year under age 55)
Discontinued Service Retirement (DSR) 50 - 20 Any Age - 25			Involuntary Separation No Reasonable Offer Age Reduction (2% / year under age 55)
Deferred Retirement 62 - 5			No FEHB / No FEGLI
Law Enforcement Officers and Firefighters 50 - 20			Requires 20 years of Qualifying LEO / FF service

Annuity Computations

Basic Components of the Annuity

The amount of the annuity benefit is based upon:
- High 3 years average salary, and
- Length of creditable service and sick leave

Average Salary

Average Salary includes:
- Locality pay,
- Shift pay for wage grade employees,
- LEAP for Law Enforcement Officers, and
- AUO for Firefighters.

Average Salary does not include:
- Bonuses,
- Awards, or
- Overtime

Average Salary Calculation

1. Multiply each annual salary rate by the fraction of the year that the salary was in effect. Time factor charts are available in chapter 50 of the CSRS and FERS Retirement Handbook for Personnel and Payroll Offices.
2. Total earnings for the three-year period.
3. Divide by 3 years.

Sample Average Salary Calculation

From	Through	Salary rate	Total time	Time factor	Earnings
01-04-2012	01-11-2014	$54,439	2 yr 0 mo 8 days	2.022222	$110,087.74
01-12-2014	01-03-2015	$54,983	11 mo 22 days	.977778	$53,761.50
			= 3 years	3.000000	$163,849.24
				(±.000001)	3 years
					= $54,616.41

Annuity Computations
(Continued)

General Formula

CSRS General Formula (Basic Annual Benefit):

1.50% X "High-3" X 5 years
\+ 1.75% X "High-3" X 5 years
\+ 2.00% X "High-3" X # of years and months of service over 10

= Basic Annuity

Shortcut Formula

CSRS Shortcut Formula:

(Years of service - 2) X 2 = Basic Annuity expressed as % of High-3 (+ .25)

Example: 30 Years of Service

(30 - 2) X 2 = 56% of High-3
\+ .25
= 56.25% of High-3

Example: Shortcut Formula

Total Service and USL:
32 years 3 months 25 days
32 years 3 months
32 - 3/12 years
32.25 years
- 2
30.25
x 2
60.50
\+ .25
60.75%

$50,000 Average Salary
X .6075
$30,125

Possible Reductions:
- age reduction
- survivor reduction
- unpaid deposit
- unpaid redeposit

Annuity Factor Charts

Refer to the annuity factor charts and worksheets on the following pages to calculate your Civil Service retirement benefit.

CSRS General Formula Computation Chart

Multiply the high-3 average salary by the factor shown under applicable years and months of CSRS service and unused sick leave.

Yrs.of Service	0 Month	1 Month	2 Months	3 Months	4 Months	5 Months	6 Months	7 Months	8 Months	9 Months	10 Months	11 Months
5	0.075000	0.076458	0.077917	0.079375	0.080833	0.082292	0.083750	0.085208	0.086667	0.088125	0.089583	0.091042
6	.092500	.093958	.095417	.096875	.098333	.099792	.101250	.102708	.104167	.105625	.107083	.108542
7	.110000	.111458	.112917	.114375	.115833	.117292	.118750	.120208	.121667	.123125	.124583	.126042
8	.127500	.128958	.130417	.131875	.133333	.134792	.136250	.137708	.139167	.140625	.142083	.143542
9	.145000	.146458	.147917	.149375	.150833	.152292	.153750	.155208	.156667	.158125	.159583	.161042
10	.162500	.164167	.165833	.167500	.169167	.170833	.172500	.174167	.175833	.177500	.179167	.180833
11	.182500	.184167	.185833	.187500	.189167	.190833	.192500	.194167	.195833	.197500	.199167	.200833
12	.202500	.204167	.205833	.207500	.209167	.210833	.212500	.214167	.215833	.217500	.219167	.220833
13	.222500	.224167	.225833	.227500	.229167	.230833	.232500	.234167	.235833	.237500	.239167	.240833
14	.242500	.244167	.245833	.247500	.249167	.250833	.252500	.254167	.255833	.257500	.259167	.260833
15	.262500	.264167	.265833	.267500	.269167	.270833	.272500	.274167	.275833	.277500	.279167	.280833
16	.282500	.284167	.285833	.287500	.289167	.290833	.292500	.294167	.295833	.297500	.299167	.300833
17	.302500	.304167	.305833	.307500	.309167	.310833	.312500	.314167	.315833	.317500	.319167	.320833
18	.322500	.324167	.325833	.327500	.329167	.330833	.332500	.334167	.335833	.337500	.339167	.340833
19	.342500	.344167	.345833	.347500	.349167	.350833	.352500	.354167	.355833	.357500	.359167	.360833
20	.362500	.364167	.365833	.367500	.369167	.370833	.372500	.374167	.375833	.377500	.379167	.380833
21	.382500	.384167	.385833	.387500	.389167	.390833	.392500	.394167	.395833	.397500	.399167	.400833
22	.402500	.404167	.405833	.407500	.409167	.410833	.412500	.414167	.415833	.417500	.419167	.420833
23	.422500	.424167	.425833	.427500	.429167	.430833	.432500	.434167	.435833	.437500	.439167	.440833
24	.442500	.444167	.445833	.447500	.449167	.450833	.452500	.454167	.455833	.457500	.459167	.460833
25	.462500	.464167	.465833	.467500	.469167	.470833	.472500	.474167	.475833	.477500	.479167	.480833
26	.482500	.484167	.485833	.487500	.489167	.490833	.492500	.494167	.495833	.497500	.499167	.500833
27	.502500	.504167	.505833	.507500	.509167	.510833	.512500	.514167	.515833	.517500	.519167	.520833
28	.522500	.524167	.525833	.527500	.529167	.530833	.532500	.534167	.535833	.537500	.539167	.540833
29	.542500	.544167	.545833	.547500	.549167	.550833	.552500	.554167	.555833	.557500	.559167	.560833
30	.562500	.564167	.565833	.567500	.569167	.570833	.572500	.574167	.575833	.577500	.579167	.580833
31	.582500	.584167	.585833	.587500	.589167	.590833	.592500	.594167	.595833	.597500	.599167	.600833
32	.602500	.604167	.605833	.607500	.609167	.610833	.612500	.614167	.615833	.617500	.619167	.620833
33	.622500	.624167	.625833	.627500	.629167	.630833	.632500	.634167	.635833	.637500	.639167	.640833
34	.642500	.644167	.645833	.647500	.649167	.650833	.652500	.654167	.655833	.657500	.659167	.660833
35	.662500	.664167	.665833	.667500	.669167	.670833	.672500	.674167	.675833	.677500	.679167	.680833
36	.682500	.684167	.685833	.687500	.689167	.690833	.692500	.694167	.695833	.697500	.699167	.700833
37	.702500	.704167	.705833	.707500	.709167	.710833	.712500	.714167	.715833	.717500	.719167	.720833
38	.722500	.724167	.725833	.727500	.729167	.730833	.732500	.734167	.735833	.737500	.739167	.740833
39	.742500	.744167	.745833	.747500	.749167	.750833	.752500	.754167	.755833	.757500	.759167	.760833
40	.762500	.764167	.765833	.767500	.769167	.770833	.772500	.774167	.775833	.777500	.779167	.780833
41	.782500	.784167	.785833	.787500	.789167	.790833	.792500	.794167	.795833	.797500	.799167	[1] 80%

[1] The maximum benefit based upon service is 80% of the high-3 average salary. Credit for unused sick leave may increase the annuity above 80%.

CSRS 2% Age Reduction Chart

(Discontinued Service Retirements and Early Optional Retirements only)

Age at separation and at least one day over	0 Month	1 Month	2 Months	3 Months	4 Months	5 Months	6 Months	7 Months	8 Months	9 Months	10 Months	11 Months
40_ _ _ _ _	0.701667	0.703333	0.705000	0.706667	0.708333	0.710000	0.711667	0.713333	0.715000	0.716667	0.718333	0.720000
41_ _ _ _ _	.721667	.723333	.725000	.726667	.728333	.730000	.731667	.733333	.735000	.736667	.738333	.740000
42_ _ _ _ _	.741667	.743333	.745000	.746667	.748333	.750000	.751667	.753333	.755000	.756667	.758333	.760000
43_ _ _ _ _	.761667	.763333	.765000	.766667	.768333	.770000	.771667	.773333	.775000	.776667	.778333	.780000
44_ _ _ _ _	.781667	.783333	.785000	.786667	.788333	.790000	.791667	.793333	.795000	.796667	.798333	.800000
45_ _ _ _ _	.801667	.803333	.805000	.806667	.808333	.810000	.811667	.813333	.815000	.816667	.818333	.820000
46_ _ _ _ _	.821667	.823333	.825000	.826667	.828333	.830000	.831667	.833333	.835000	.836667	.838333	.840000
47_ _ _ _ _	.841667	.843333	.845000	.846667	.848333	.850000	.851667	.853333	.855000	.856667	.858333	.860000
48_ _ _ _ _	.861667	.863333	.865000	.866667	.868333	.870000	.871667	.873333	.875000	.876667	.878333	.880000
49_ _ _ _ _	.881667	.883333	.885000	.886667	.888333	.890000	.891667	.893333	.895000	.896667	.898333	.900000
50_ _ _ _ _	.901667	.903333	.905000	.906667	.908333	.910000	.911667	.913333	.915000	.916667	.918333	.920000
51_ _ _ _ _	.921667	.923333	.925000	.926667	.928333	.930000	.931667	.933333	.935000	.936667	.938333	.940000
52_ _ _ _ _	.941667	.943333	.945000	.946667	.948333	.950000	.951667	.953333	.955000	.956667	.958333	.960000
53_ _ _ _ _	.961667	.963333	.965000	.966667	.968333	.970000	.971667	.973333	.975000	.976667	.978333	.980000
54_ _ _ _ _	.981667	.983333	.985000	.986667	.988333	.990000	.991667	.993333	.995000	.996667	.998333	1.000000

CSRS Benefit Calculations

1	Enter Hi-3 Average Salary	$
2	Multiply by CSRS retirement factor _____years _____months of CSRS service and USL	X
3	Basic Annual CSRS Benefit *	$
4	Reduction for Age (if under age 55) Early Optional Retirement or DSR Multiply by 2 % reduction factor	X
5	CSRS Annual Benefit Reduced for Age	$
6	Reduction for Unpaid Deposits Non-deduction service before 10/1/82 Subtract 10% of deposit plus interest due at retirement	-
7	CSRS Annual Benefit (without Survivor Benefit)	$
8	Survivor Reduction: Survivor Base elected = ____________ (Maximum = line 7) Amount up to $ 3600 = ____________ X .025 = ____________ Amount over $ 3600 = ____________ X .10 = ____________ **Total Reduction** = ____________	-
9	CSRS Annual Benefit w/ survivor reduction	$
10	CSRS Monthly Benefit Divide by 12 and round to lower dollar.	$
11	Reduction for Unpaid Redeposit (Pre 3/1/91 Refund) Divide Redeposit plus interest by actuarial factor = Equals monthly reduction in benefit	-
12	CSRS Monthly Benefit	$
13	Survivor Benefit: Enter Survivor Base (Maximum = line 7)	$
14	Multiply survivor base by 55%	X .55
15	CSRS Annual Survivor Benefit	$
16	CSRS Monthly Survivor Benefit Divide by 12 and round to lower dollar	$

*Assumes full-time service.

CSRS Example

CSRS Example: (VERA or DSR)

Retirement Date:	10/2/014
Date of Birth:	4/20/60
Age:	54 years, 5 months, 12 days
Average Salary:	$48,000
SCD:	7/16/83 Service: 30 years, 2 months, 17 days
USL:	1127 hours 6 months, 15 days
Total:	**30 years, 9 months, 2 days**

CSRS Benefit Calculations

1	Enter Hi-3 Average Salary	$ 48,000.00
2	Multiply by CSRS retirement factor 30 years 9 months of CSRS service and USL	X .577500
3	Basic Annual CSRS Benefit *	$ 27,720.00
4	Reduction for Age (if under age 55) Early Optional Ret or DSR Multiply by 2 % reduction factor	X .9900
5	CSRS Annual Benefit Reduced for Age	$ 27,442.80
6	Reduction for Unpaid Deposits Non-deduction service before 10/1/82 Subtract 10% of deposit plus interest due at retirement	- N/A
7	CSRS Annual Benefit (without Survivor Benefit)	$ 27,442.80
8	Survivor Reduction Survivor Base elected = 27,442.80 (Maximum = line 7) Amount up to $ 3600 = 3,600.00 X .025 = 90.00 Amount over $ 3600 = 23,842.80 X .10 = 2,384.28 **Total Reduction = 2,474.28**	- 2,474.28
9	CSRS Annual Benefit with survivor reduction	$ 24,968.52
10	CSRS Monthly Benefit Divide by 12 and round to lower dollar.	$ 2,080.00
11	Reduction for Unpaid Redeposit (Pre 3/1/91 Refund) Divide redeposit plus interest by actuarial factor = monthly reduction in benefit	- N/A
12	CSRS Monthly Benefit	$ 2,080.00
13	Survivor Benefit: Enter Survivor Base (Maximum = line 7)	$ 27,442.80
14	Multiply survivor base by 55%	X .55
15	CSRS Annual Survivor Benefit	$ 15,093.54
16	CSRS Monthly Survivor Benefit Divide by 12 and round to lower dollar	$ 1,257.00

*Assumes full-time service.

Law Enforcement Officers and Firefighters

Law Enforcement Officer and Firefighter (LEO / FF) Calculation

LEO / FF Formula (Basic Annual Benefit):

2.50% X "High-3" X 20 years of qualifying LEO /FF service
2.00% X "High-3" X # of years & months of service over 20

= Basic Annuity

Example

Example: LEO / FF Calculation

24 years of qualifying LEO / FF service
2 years of military service
1 year of unused sick leave
27 years of total service and USL

2.50% X "High-3" X 20 years LEO / FF service = 50%
2.00% X "High-3" X 7 years service + USL = 14%
Basic Annuity = 64%

LEO / FF Annuity Factor Chart

Refer to the annuity factor chart on the following page to calculate your CSRS Law Enforcement Officer or Firefighter retirement benefit.

CSRS 2.5% Percent Annuity Factor Chart for Law Enforcement Officers and Firefighters

Multiply the high-3 average salary by the factor shown under applicable years and months of CSRS service and unused sick leave.

No. of Years	0 Month	1 Month	2 Months	3 Months	4 Months	5 Months	6 Months	7 Months	8 Months	9 Months	10 Months	11 Months
1	0.025000	0.027083	0.029167	0.031250	0.033333	0.035417	0.037500	0.039583	0.041667	0.043750	0.045833	0.047917
2	0.050000	0.052083	0.054167	0.056250	0.058333	0.060417	0.062500	0.064583	0.066667	0.068750	0.070833	0.072917
3	0.075000	0.077083	0.079167	0.081250	0.083333	0.085417	0.087500	0.089583	0.091667	0.093750	0.095833	0.097917
4	0.100000	0.102083	0.104167	0.106250	0.108333	0.110417	0.112500	0.114583	0.116667	0.118750	0.120833	0.122917
5	0.125000	0.127083	0.129167	0.131250	0.133333	0.135417	0.137500	0.139583	0.141667	0.143750	0.145833	0.147917
6	0.150000	0.152083	0.154167	0.156250	0.158333	0.160417	0.162500	0.164583	0.166667	0.168750	0.170833	0.172917
7	0.175000	0.177083	0.179167	0.181250	0.183333	0.185417	0.187500	0.189583	0.191667	0.193750	0.195833	0.197917
8	0.200000	0.202083	0.204167	0.206250	0.208333	0.210417	0.212500	0.214583	0.216667	0.218750	0.220833	0.222917
9	0.225000	0.227083	0.229167	0.231250	0.233333	0.235417	0.237500	0.239583	0.241667	0.243750	0.245833	0.247917
10	0.250000	0.252083	0.254167	0.256250	0.258333	0.260417	0.262500	0.264583	0.266667	0.268750	0.270833	0.272917
11	0.275000	0.277083	0.279167	0.281250	0.283333	0.285417	0.287500	0.289583	0.291667	0.293750	0.295833	0.297917
12	0.300000	0.302083	0.304167	0.306250	0.308333	0.310417	0.312500	0.314583	0.316667	0.318750	0.320833	0.322917
13	0.325000	0.327083	0.329167	0.331250	0.333333	0.335417	0.337500	0.339583	0.341667	0.343750	0.345833	0.347917
14	0.350000	0.352083	0.354167	0.356250	0.358333	0.360417	0.362500	0.364583	0.366667	0.368750	0.370833	0.372917
15	0.375000	0.377083	0.379167	0.381250	0.383333	0.385417	0.387500	0.389583	0.391667	0.393750	0.395833	0.397917
16	0.400000	0.402083	0.404167	0.406250	0.408333	0.410417	0.412500	0.414583	0.416667	0.418750	0.420833	0.422917
17	0.425000	0.427083	0.429167	0.431250	0.433333	0.435417	0.437500	0.439583	0.441667	0.443750	0.445833	0.447917
18	0.450000	0.452083	0.454167	0.456250	0.458333	0.460417	0.462500	0.464583	0.466667	0.468750	0.470833	0.472917
19	0.475000	0.477083	0.479167	0.481250	0.483333	0.485417	0.487500	0.489583	0.491667	0.493750	0.495833	0.497917
20	0.500000	0.501667	0.503333	0.505000	0.506667	0.508333	0.510000	0.511667	0.513333	0.515000	0.516667	0.518333
21	0.520000	0.521667	0.523333	0.525000	0.526667	0.528333	0.530000	0.531667	0.533333	0.535000	0.536667	0.538333
22	0.540000	0.541667	0.543333	0.545000	0.546667	0.548333	0.550000	0.551667	0.553333	0.555000	0.556667	0.558333
23	0.560000	0.561667	0.563333	0.565000	0.566667	0.568333	0.570000	0.571667	0.573333	0.575000	0.576667	0.578333
24	0.580000	0.581667	0.583333	0.585000	0.586667	0.588333	0.590000	0.591667	0.593333	0.595000	0.596667	0.598333
25	0.600000	0.601667	0.603333	0.605000	0.606667	0.608333	0.610000	0.611667	0.613333	0.615000	0.616667	0.618333
26	0.620000	0.621667	0.623333	0.625000	0.626667	0.628333	0.630000	0.631667	0.633333	0.635000	0.636667	0.638333
27	0.640000	0.641667	0.643333	0.645000	0.646667	0.648333	0.650000	0.651667	0.653333	0.655000	0.656667	0.658333
28	0.660000	0.661667	0.663333	0.665000	0.666667	0.668333	0.670000	0.671667	0.673333	0.675000	0.676667	0.678333
29	0.680000	0.681667	0.683333	0.685000	0.686667	0.688333	0.690000	0.691667	0.693333	0.695000	0.696667	0.698333
30	0.700000	0.701667	0.703333	0.705000	0.706667	0.708333	0.710000	0.711667	0.713333	0.715000	0.716667	0.718333
31	0.720000	0.721667	0.723333	0.725000	0.726667	0.728333	0.730000	0.731667	0.733333	0.735000	0.736667	0.738333
32	0.740000	0.741667	0.743333	0.745000	0.746667	0.748333	0.750000	0.751667	0.753333	0.755000	0.756667	0.758333
33	0.760000	0.761667	0.763333	0.765000	0.766667	0.768333	0.770000	0.771667	0.773333	0.775000	0.776667	0.778333
34	0.780000	0.781667	0.783333	0.785000	0.786667	0.788333	0.790000	0.791667	0.793333	0.795000	0.796667	0.798333
35	0.800000											

The maximum benefit based upon service is 80% of the high-3 average salary. Credit for unused sick leave may increase the annuity above 80%.

Unused Sick Leave

Credit for Unused Sick Leave For CSRS Retirees

- Unused sick leave is not included for determining eligibility.
- Unused sick leave is added to length of service in computing the annuity benefit.
- Unused sick leave is credited only in immediate retirements.
- Unused sick leave is computed on the basis of a 2087 hour work year for most federal employees.

Example

Service :	=	30 years - 4 months - 15 days
USL 624 hours	=	3 months - 18 days
Total:	=	30 years - 7 months - 33 days
	=	30 years - 8 months - 3 days
	=	30 years - 8 months

Sick Leave Chart - 2087 Hours

No. of Days	1 Day & Up	1 Mo. & Up	2 Mo. & Up	3 Mo. & Up	4 Mo. & Up	5 Mo. & Up	6 Mo. & Up	7 Mo. & Up	8 Mo. & Up	9 Mo. & Up	10 Mo. & Up	11 Mo. & Up
0	_	174	348	522	696	870	1044	1217	1391	1565	1739	1913
1	6	180	354	528	701	875	1049	1223	1397	1571	1745	1919
2	12	186	359	533	707	881	1055	1229	1403	1577	1751	1925
3	17	191	365	539	713	887	1061	1235	1409	1583	1757	1930
4	23	197	371	545	719	893	1067	1241	1415	1588	1762	1936
5	29	203	377	551	725	899	1072	1246	1420	1594	1768	1942
6	35	209	383	557	730	904	1078	1252	1426	1600	1774	1948
7	40	214	388	562	736	910	1084	1258	1432	1606	1780	1954
8	46	220	394	566	742	916	1090	1264	1438	1612	1786	1959
9	52	226	400	574	748	922	1096	1270	1444	1617	1791	1965
10	58	232	406	580	754	928	1101	1275	1449	1623	1797	1971
11	64	238	412	586	759	933	1107	1281	1455	1629	1803	1977
12	69	243	417	591	765	939	1113	1287	1461	1635	1809	1983
13	75	249	423	597	771	945	1119	1293	1467	1641	1815	1988
14	81	255	429	603	777	951	1125	1299	1472	1646	1820	1994
15	87	261	435	609	783	957	1130	1304	1478	1652	1826	2000
16	92	267	441	615	788	962	1136	1310	1484	1658	1832	2006
17	98	272	446	620	794	968	1142	1316	1490	1664	1838	2012
18	104	278	452	626	800	974	1148	1322	1496	1670	1844	2017
19	110	284	458	632	806	980	1154	1328	1501	1675	1849	2023
20	116	290	464	638	812	986	1159	1333	1507	1681	1855	2029
21	121	296	470	643	817	991	1165	1339	1513	1687	1861	2035
22	127	301	475	649	823	997	1171	1345	1519	1693	1867	2041
23	133	307	481	655	829	1003	1177	1351	1525	1699	1873	2046
24	139	313	487	661	835	1009	1183	1357	1530	1704	1878	2052
25	144	319	493	667	841	1015	1188	1362	1536	1710	1884	2058
26	150	325	499	672	846	1020	1194	1368	1542	1716	1890	2064
27	156	330	504	678	852	1026	1200	1374	1548	1722	1896	2070
28	162	336	510	684	858	1032	1206	1380	1554	1728	1901	2075
29	168	342	516	690	864	1038	1212	1386	1559	1733	1907	2081

Leave Without Pay (LWOP)

Leave Without Pay (LWOP) is fully creditable as civilian service for retirement purposes if less than six months per calendar year.

Example 1

LWOP: 1/1/70
RTD: 7/1/70

= 6 months LWOP in 1970
= Full Credit in 1970

Example 2

LWOP: 1/1/92
RTD: 8/1/92

= 7 months LWOP
- 1 month excess LWOP
= 6 months creditable LWOP
+ 5 months service
= 11 months credit 1992

Maximum Annuity

- The maximum annuity benefit is 80% of the High-3 based on service.
- 41 years and 11 months of service earns the maximum annuity of 80%. (35 years under the Law Enforcement or Firefighter calculation earns the 80% maximum.)
- Unused sick leave is credited in addition to the 80% maximum.
- Excess CSRS contributions are refunded to the annuitant, less any deposits or redeposits required for prior service periods.

Example

45 years of service	=	80%
2 years of USL	=	+4%
	=	84% of high-3 average salary

Retiring December 2014:
High-3 average salary = December 2011 - December 2014

Maximum annuity: 41 years 11 months
Maximum service date: November 2011

Part -Time Service

Part-time Service is service with a pre-arranged, regularly scheduled tour of duty which is less than full-time.

Computation of CSRS Annuity involving part-time service on or after 4/7/86:
Full credit is granted for part-time service in determining eligibility for retirement. The retirement benefit is reduced for part-time service after 4/6/86 by a ratio of the number of part-time hours to the number of hours the employee would have worked had the employee worked full-time.

Two computations must be performed in computing the annuity of an employee whose service includes part-time employment on or after 4/7/86.

Computation #1: (Pre-4/7/86 annuity)
Deemed full-time salary rates for the high-3 years average salary and full-time credit for service through 4/6/86 plus credit for unused sick leave are used in computing the annuity under the General Formula.

Prior to October 28, 2009, actual salary rates (part-time or full-time) were used in the pre-4/7//86 calculation, regardless of the tours of duty worked during that time. The National Defense Authorization Act of 2010 requires that full-time deemed salary rates be used in the pre-4/7/86 calculation.

Computation #2: (Post 4/6/86 annuity)
Deemed full-time salary rates for service on or after 4/7/86 are used in computing the high-3 average salary. This average salary is then multiplied by the appropriate % in the CSRS General Formula (1.5%, 1.75% or 2%) and full-time service factors. This figure is then multiplied by the ratio of post-4/6/86 hours worked (according to tour of duty) to the number of hours the employee would have worked had all post-4/6/86 service been full time.

The results of the two computations are added together to obtain the basic annuity.

Reductions in Basic Annuity

CSRS Reduction for Age

Annuity is reduced 2% for each year retiree is under age 55, 1/6 percent for each full month under age 55.

Age Reduction Example (VERA / DSR)

Correct Age Reduction

$50,000 average salary
25 years = 46.25% ave.sal.
Age: 49 years 11 months 13 days
(10% age reduction)

Calculate Basic Annuity:	\$50,000 X .4625 \$23,125/year
Apply Age Reduction:	\$23,125 - \$2,313 \$20,812/year

Incorrect Age Reduction

$50,000 average salary
25 years = 46.25% ave.sal.
10 % age reduction

Calculate Reduced Annuity:

46.25% of average salary
- 10.00% age reduction
36.25% of average salary

$50,000
X .3625
= $18,125/year

Reduction for Unpaid Deposit

Non-deduction service prior to 10/1/82 :
Annuity is reduced by 10% of any unpaid deposit.

Reduction to Provide Survivor Benefit

CSRS Survivor Reduction =
2-1/2% of 1st $3600 of the survivor base plus 10% of the remainder of the survivor base.

Reduction for Unpaid Redeposit

(For refunds for service which ended before 10/1/90). Annuity is actuarially reduced for unpaid redeposit.

Survivor Benefits

Regular Survivor Benefits	■ Spouse ■ Former Spouse
Insurable Interest Survivor Benefits	■ Spouse ■ Former Spouse ■ Insurable Interest Survivor (Financially dependent)
Children's Survivor Benefits	Children who are unmarried and ■ Under age 18; ■ Under age 22 if a full-time student; ■ at any age if the child became disabled before age 18
Lump Sum Benefit	Remaining retirement contributions, if any.

Spouse Equity Act

A qualifying court order may require OPM to apportion an annuity benefit between a retiree and a former spouse and / or provide survivor benefits to a former spouse upon the death of a retiree.

For detailed information on court-awarded benefits for former spouses, please view the module on Court Orders. You may also refer to the CSRS and FERS Retirement Handbook for Personnel and Payroll Offices, Chapter 5, Court Orders, available on the OPM Web site, www.opm.gov. (Use the search engine. Search CSRS and FERS Retirement Handbook.)

Regular Survivor Benefits

A retiring employee may elect to provide Regular Survivor Benefits for a spouse and/or former spouse at time of retirement. In cases of divorce occurring after 5/7/85, the retiree may be required by court order, to provide regular survivor benefits to a former spouse.

Amount of Election = Survivor Base

The amount of money that the retiring employee elects to be used to determine the survivor benefit and the cost to the retiree to provide this benefit is called the **survivor base.**

Full Survivor Benefits

The retiring employee may elect that "All" of his/her basic annuity be used as the survivor base. This is the maximum that can be used as the survivor base.

Partial Survivor Benefit

The retiring employee may elect any dollar amount " less than all" of his/her basic annuity to be used as the survivor base. Notarized consent of current spouse is required.

Split Survivor Benefits

The retiring employee may elect that the current spouse and/or one or more former spouses each receive a survivor benefit provided that the total survivor base does not exceed the retiree's basic annuity. Notarized consent of current spouse is required.

No Survivor Benefit

The retiree may elect to provide "No Survivor Benefit" Notarized consent of current spouse is required.

Survivor Receives

In the event of the annuitant's death, the survivor receives 55% of the elected base, increased by any cost of living adjustments which have occurred since the date of the annuitant's retirement.

Survivor Reduction Formula

Cost to the Annuitant

The retiree's annuity benefit is reduced to provide a regular survivor benefit according the following "Survivor Reduction" formula:

Survivor Reduction

2-1/2% of first $3,600 base
\+ 10% of the remainder of base

= **Annual reduction to provide survivor benefit**

Example 1

Full Survivor Benefit $40,000 annuity

Base: $40,000

Cost:

2-1/2 % of $3,600	=	$ 90
10% of $36,400	=	$3,640
TOTAL	**=**	**$3,730**

$40,000 per year ($3,333 per month)
- $3,730
$36,270 per year ($3,022 per month)

Survivor Receives 55% of Base

55% of $40,000 = $22,000 per year
= $1,833 per month

Example 2

Partial Survivor Benefit Base = $3,600

Base: $3,600

Cost: 2-1/2 % of $3,600 = $90

$40,000 per year ($3,333 per month)
- $90
$39,910 per year ($3,325 per month)

Survivor Receives: 55% of Base

55% of $3,600 = $1,980 per year
= $ 165 per month

Example 3

Select Dollar Base

Base X .55 = Survivor Rate ➔ Base = $\frac{\text{Survivor Rate}}{.55}$ ➔ $\frac{\$6{,}000}{.55}$ = **$10,910 Base**

Cost:

2-1/2 % of $3,600	=	$ 90
+ 10% of $7,310	=	$ 731
	=	$ 821

$40,000 per year ($3,333 per month)
-$ 821
$39,179 per year ($3,264 per month)

Survivor Receives: 55% of Base

55% of $10,910 = $6,000 per year
= $ 500 per month

Federal Health Insurance For Surviving Spouse

Health Benefits for the Surviving Spouse

A surviving spouse will not be permitted to continue Federal Health Benefits upon the death of a retiree unless a survivor annuity is payable.

Survivor Election Changes After Retirement

Within 30 days after the date of the first regular monthly annuity payment, a retiree may name a new survivor or change the survivor election by filing a new election in writing.

Within 18 months after the commencing date of the annuity, a retiree may elect a survivor annuity or increase the amount of the survivor annuity for a spouse by submitting the request for change in writing to OPM. A deposit representing the difference between the reduction for the new survivor election and the original survivor election, plus a charge of $ 245.00 per thousand dollar change in survivor base, plus interest, is required.

Termination of Entitlement To Survivor Benefits

Entitlement to survivor benefits terminates on the following events:

Current Spouse Future Entitlement

A current spouse future entitlement to survivor benefits is terminated by divorce or death. The reduction in the annuitant's rate to provide the survivor protection is removed and the annuitant's benefit is restored to the full rate, prospectively.

Widows/Widowers Receipt of Benefit

A widow's/widower's receipt of regular survivor benefits is terminated upon death or remarriage prior to age 55. Benefits are restored if that marriage later ends.

Exception for remarriages occurring after January 1, 1995:
If the widow or widower was married to the individual on whose service the survivor annuity is based for at least 30 years, remarries before age 55, the survivor annuity will not to be terminated.

Former Spouse Future Entitlement

A former spouse future entitlement to regular survivor benefits is terminated upon death or remarriage prior to age 55. The annuitant's benefit is restored to the full rate, prospectively. Entitlement is not restored to the former spouse if that marriage later ends.

Former Spouse Receipt of Benefit

A former spouse receipt of survivor benefits is terminated upon death or remarriage prior to age 55. Benefits are NOT restored if that marriage later ends.

Post Retirement Marriage

A retiree who marries after retirement may elect regular survivor benefits for his/her post-retirement spouse. The survivor election is optional. Spousal consent is not required. The election must be made within 2 years of the date of the marriage or within 2 years of the date of the former spouse's loss of entitlement to the regular survivor benefit.

Elections Available

Survivor elections available after retirement for new spouses are:

1) full survivor annuity;
2) partial survivor annuity;
3) no survivor annuity.

Retroactive Survivor Reduction is Based Upon Actuarial Reduction

An annuitant who retires on or after May 7, 1985 and elects to provide survivor benefits for a spouse whom he/she married after retirement will have his/her annuity reduced by the total amount by which his/her annuity would have been reduced if that election had been made at the time of retirement, plus 6 percent annual interest, divided by an actuarial factor, plus the continuing reduction in the annuity to provide survivor benefit. Any period of time during which the retiree's annuity was being reduced fully to provide a survivor benefit will not be included in the calculation of the reduction.

Actuarial Reduction

Monthly Reduction
The monthly reduction for this retroactive survivor election is equal to:

$$\frac{\text{Retroactive reduction in annuity, plus 6\% interest}}{\text{Actuarial Factor}} + \text{The continuing reduction for survivor benefit}$$

Insurable Interest Survivor Benefit

Any retiring employee (regardless of marital status), in good health, may elect an insurable interest survivor benefit for any person who is financially dependent upon the retiree.

Survivors

The insurable interest survivor may be a spouse, a former spouse or anyone who is financially dependent upon the retiree.

Amount of the Election

The insurable interest benefit is based upon the retiree's full annuity. The retiree may not elect any other survivor base.

Cost to the Annuitant

The cost of an insurable interest benefit is based on the age difference between the retiree and the insurable interest survivor.

Age of Insurable Interest Survivor in Relation to Age of Retiree	Reduction in Basic Annuity
Older 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%

Insurable Interest Survivor Receives

In the event of the annuitant's death, the insurable interest survivor receives 55% of the retiree's commencing annuity after the reduction to provide the insurable interest survivor benefit, plus COLAs.

Termination of Entitlement to the Insurable Interest Benefit

The insurable interest survivor benefit will be terminated upon death of the insurable interest survivor, or on conversion of the benefit to a regular survivor annuity. If entitlement to insurable interest benefit terminates while the retiree is living, the retiree's annuity benefit will be restored to the full rate, prospectively.

Lump Sum Benefit

Amount of the Lump Sum Benefit

The balance of an employee's or annuitant's retirement contributions is payable as a lump sum benefit only if there is no spouse, former spouse, children or insurable interest survivor eligible for survivor benefits

Order of Precedence

The lump sum is payable under the following Order of Precedence:

1. Designated Beneficiary
2. Spouse
3. Child/Children in equal shares
4. Parents
5. Executor or administrator of estate
6. Next of Kin

Designation of Beneficiary

An SF 2808, Designation of Beneficiary, Civil Service Retirement System, can be completed by an employee, a former employee or a retiree to designate a beneficiary or beneficiaries of any lump sum amount payable upon his/her death.

The designations described above should not be confused with designation forms used for other types of benefits, such as:

Other Types of Designations

SF 2823, Designation of Beneficiary, Federal Employees' Group Life Insurance Program;

SF 1152, Designation of Beneficiary, Unpaid Compensation of Deceased Civilian Employee; or

TSP 3, Designation of Beneficiary, Federal Retirement Thrift Savings Plan.

Credit For Service

Non-deduction Service	Temporary Service Deposits
Refunded Service	Refunds / Redeposits New Redeposit Option (Actuarial Reduction)
Military Service	Creditable Military Service Documentation of Service Military Retirement Post-56 Military Deposits

Non-deduction / Deposit Service

Non-deduction Service	Non-deduction service is service during which no Civil Service Retirement contributions were withheld from salary.
Deposit	The deposit is equal to the amount of money the employee would have contributed to the Civil Service Retirement System had he/she been covered by the CSR Act, plus interest.

Contribution Rates

1956-1969:	6.5%	2000:	7.4%
1970-1998:	7%	2001-2002:	7.5%
1999:	7.25%	2003-present:	7%

Non-deduction service performed before 10/1/82:

<u>**3% Interest**</u>
If the non-deduction service was performed prior to 10/1/82: Interest is charged at the rate of 3% compounded annually. No interest is charged during periods of separation beginning before 10/1/56.

<u>**If the deposit is NOT paid:**</u>
Full credit is granted for the service for eligibility and computation purposes.
The annual retirement benefit is reduced by 10% of the unpaid deposit.

<u>**If a deposit IS paid:**</u>
Full credit is granted for the service with no reduction in the annuity.

Example 1: Non-deduction Service Performed Prior to 10/1/82

Alice, Age 55 **$50,000 Average Salary** 1979 - 1980 : Temp Appt. (earned $14,285) 1980 - 2014 : CSRS	$1,000 Deposit <u>+ 3 % interest</u> $2,600 Deposit Due Reduction in annuity: 10% of $2,600 = $260 per year = $22 per month

Non-deduction service performed on or after 10/1/82:

Variable Interest
If the non-deduction service was performed on or after 10/1/82: Interest is charged at the rate of 3% per year through 12/31/84 and at a variable interest rate beginning 1/1/85.

If the deposit is NOT paid:
Credit is granted for eligibility only. No credit is granted for the non-deduction service in the annuity computation.

If the deposit IS paid:
Full credit is granted for the service with no reduction in the annuity

Variable Interest Rates

1985	13.0%	2000	5.875%
1986	11.125%	2001	6.375%
1987	9.0%	2002	5.5%
1988	8.375%	2003	5.0%
1989	9.125%	2004	3.875%
1990	8.75%	2005	4.375%
1991	8.625%	2006	4.125%
1992	8.125%	2007	4.875%
1993	7.125%	2008	4.375%
1994	6.250%	2009	3.875%
1995	7.00%	2010	3.125%
1996	6.875%	2011	2.75%
1997	6.875%	2012	2.25%
1998	6.75%	2013	1.625%
1999	5.75%	2014	1.625%

Note: Variable interest accrues on December 31 of each year.

Example 2: Non-deduction Service Performed on or After 10/1/82

Betty, Age 55
$50,000 Average Salary

1975 - 1982 CSRS

Oct 1983 - Oct. 1984: Temp Appt. (earned $15,000)

1984 - 2014: CSRS Offset

$1,050 Deposit
+ variable interest
$6,000 Deposit due

Reduction in annuity:
No credit for 1 year of service
= 2% of average salary
= 2% of $50,000
= $1,000 per year
= $83 per month

Procedures for Payment of Deposit

Personnel Office Estimates

Agency Personnel Office can provide estimates of deposit due and annuity reductions.

Employees May Submit Application to Make Deposit to OPM

If more than 6 months from retirement date, an employee may obtain an Application to Make Deposit / Redeposit (SF 2803) from Personnel or www.opm.gov, Federal Forms. Employee completes the front and returns SF 2803 to Personnel. Agency Personnel office will complete form and forward to OPM. OPM will notify the employee of the amounts due. **If both deposits and redeposits are involved, the employee should notify OPM that payment should be directed to deposits for non-deduction service before payment to redeposits.**

Employees May Submit Application to Make Deposit to OPM with Retirement Application

If employee is within 6 months of retirement, send Application to Make Deposit / Redeposit (SF 2803) or a letter requesting information on amount of deposit due to OPM along with the retirement application. OPM will inform retiree of amount due, annuity rates with and without payment and procedures for payment.

OPM Notifies Retiring Employees of Deposits for non-deduction service performed after September 30, 1982

OPM will send notification of any outstanding deposits for non-deduction service performed after September 30, 1982, describe the reduction in annuity and payment procedures prior to final processing of the annuity claim.

Refunded Service / Redeposit Service

Refunded Service

Refunded Service is Federal civilian service during which Civil Service Retirement contributions were withheld but later refunded to the employee.

Redeposit

Redeposit is repayment of the refund plus interest.

Impact on Annuity

The impact on the annuity depends upon the date that the refunded service ended.

Actuarial Reduction
(Refunded Service which ended before 3/1/91)

If the refunded service ended before 3/1/1991 and the redeposit is not paid:

Credit is granted for the service in calculating the annuity benefit. The annuity is actuarially reduced.

Loss of Service
(Refunded Service which ended on or after 3/1/91)

If the refunded service ended on or after 3/1/1991 and the redeposit is not paid:

- Full credit is granted for the service in determining eligibility for retirement.
- No credit is granted for the refunded service in the computation of the annuity benefit.

Interest

The interest charged on redeposits depends upon the date that the application for refund was received by the employing agency or by the Office of Personnel Management before or after 10/1/82.

- Refund Prior to 10/1/82: 3% Interest
- Refund on or after 10/1/82: Variable Interest

Refunded Service Ended Before 3/1/91: Actuarial Reduction

- Credit is granted for the service in calculating the annuity benefit.
- The annuity is actuarially reduced, using the actuarial factors below.

$$\text{Monthly reduction} = \frac{\text{Redeposit due at retirement}}{\text{Actuarial factor}}$$

Actuarial Factors
(Annuities commencing on or after 10/1/2014)

Age at Retirement	Monthly Reduction Factor
51	274.9
52	269.7
53	264.5
54	259.1
55	253.6
56	248.0
57	242.3
58	236.5
59	230.5
60	224.4
61	218.3
62	212.1
63	205.8
64	199.4
65	192.9
66	186.4
67	179.9
68	173.3
69	166.7
70	160.0

Refunded Service Ended on or After 3/1/91:

<u>If the Redeposit is not paid:</u>

- Full credit is granted for the service in determining eligibility for retirement.
- **No credit is granted for the refunded service in the computation of the annuity benefit.**

Refund Prior to 10/1/82: 3% Interest

If the application for refund was received by the agency or OPM prior to 10/1/82: Interest is charged at the rate of 3% compounded annually. No interest is charged during periods of separation beginning before 10/1/56.

Example: Refund Prior to 10/1/82 (3% Interest)

Albert, Age 55
$50,000 Average Salary

1980 - 1981 - CSRS	$1,000 Refund + 3% interest
1982 - 2014 - CSRS	$2,500 Redeposit due

Reduction in annuity: $\frac{\$2,500}{253.6}$ = $10 per month

If the Redeposit is paid:
Full credit is granted for the service for eligibility and computation purposes.

Refund on or after 10/1/82 - Variable Interest

If the application for refund was first received by the agency or OPM on or after 10/1/82: Interest is charged at the rate of 3% per year through 12/31/84 and at a variable interest rate beginning 1/1/85.

Variable Interest Rates

1985	13.0%	2000	5.875%
1986	11.125%	2001	6.375%
1987	9.0%	2002	5.5%
1988	8.375%	2003	5.0%
1989	9.125%	2004	3.875%
1990	8.75%	2005	4.375%
1991	8.625%	2006	4.125%
1992	8.125%	2007	4.875%
1993	7.125%	2008	4.375%
1994	6.250%	2009	3.875%
1995	7.00%	2010	3.125%
1996	6.875%	2011	2.75%
1997	6.875%	2012	2.25%
1998	6.75%	2013	1.625%
1999	5.75%	2014	1.625%

Note: Variable interest accrues on December 31 of each year.

Example: Refund on or after 10/1/82: Variable Interest (Refunded service ended before 3/1/91)

Barry, Age 55
$50,000 Average Salary

1973 - 1986 - CSRS $14,000 Refund
+ variable interest
1987 - 2014 - CSRS 69,000 Redeposit due

Reduction in annuity: $\frac{\$69,000}{253.6}$ = $272 per month

If the Redeposit is paid:
Full credit is granted for the service for eligibility and computation purposes.

Refunded Service Ended on or After 3/1/91:

<u>If the Redeposit is not paid:</u>

- Full credit is granted for the service in determining eligibility for retirement.
- **No credit is granted for the refunded service in the computation of the annuity benefit.**

Example: Refunded service ended on or after 3/1/91

Charlie, Age 55
$50,000 Average Salary

1979 - 1995 - CSRS	$18,000 Refund
	+ variable interest
	$44,000 Redeposit due
1997 - 2014 - CSRS	

If the Redeposit is NOT paid:

No credit is granted for 1979-1995 in the computation of the annuity.
Annuity is based upon 17 years (1997 - 2014) = 30.25% of the high-3 average salary.
30.25% of $50,000 = $15,125 per year.

If the Redeposit IS paid:

Full credit is granted for the service in the computation of the annuity.
Annuity is based upon 33 years of service = 62.25% of the high-3 average salary.
62.25% of $50,000 = $31,125 per year.

Payment of $44,000 redeposit increases annuity $16,000 per year.

Notify Personnel Office of Outstanding Refunds

Personnel Office can provide estimates of redeposit due and annuity reductions.

OPM Notifies Retiring Employees of Redeposits

OPM will automatically send notification of any outstanding redeposits, describe the reduction in annuity and payment procedures along with the first annuity statement.

Employees May Submit Application to Make Redeposit to OPM Prior to Retirement

If more than 6 months from retirement date, an employee may obtain an Application to make Deposit / Redeposit, SF 2803, from Personnel. This form is also available on www.opm.gov. Go to “Find Forms” on the right hand side of the home page.. Employee completes the front and returns SF 2803 to Personnel. Agency Personnel office will complete form and forward to OPM. OPM will provide billing statement to employee.

CSRS Credit for Civilian Service

Type of Service Retirement Credit	List Dates of Service and Amount of Refund	Calculation of Deposit/Redeposit	Impact on Annuity if Payment is Not Made	Procedures for Payment
Pre 10/1/82 Non-deduction Service		7% (or 6.5%) of earnings plus 3% interest $ _________	Annuity is reduced by 10% of unpaid deposit -$ _____ /yr = -$ _____/mo	SF 2803 → OPM
Post 9/30/82 Non-deduction Service		7% of earning plus variable interest. $ _________	No credit for service in the annuity calculation	SF 2803 → OPM
Pre 10/1/82 CSRS Refund		Refund plus 3% interest. $ _________	Annuity is actuarially reduced. - $ _________ /month	OPM will notify retirees or SF 2803 → OPM
Post 9/30/82 Pre 3/1/91 CSRS Refund		Refund plus variable interest. $ _________	Annuity is actuarially reduced. - $ _________ /month	OPM will notify retirees or SF 2803 → OPM
Post 2/28/91 Refund		Refund plus variable interest. $ _________	No credit for service in the annuity calculation. -$ _____ /yr.= -$ _____/mo	SF 2803 → OPM

Military Service

Creditable Military Service

Active, honorable military service may be creditable towards CSRS retirement benefits. Creditable service may include:

- Service in military academies,
- Active duty in reserves,
- Reservists' annual 15-day training camps or cruises (during non-federal service)
- Service by NROTC students when ordered to active duty or training duty (including summer cruises) as members of the Naval or Marine Corps Reserve,
- Service by AROTC students after October 13, 1964 when ordered to active duty or training duty as members of the Army Reserves,
- Service in the National Guard if "Under a call by the President", or pursuant "orders" issued under section 233(d) of Armed Forces Reserve Act of 1952; or pursuant to "orders" issued under title 10 of the ASCOT. (Agency must contact the State Adjutant General's Office for a determination of credit.)

Documentation of Military Service

To document military service, contact your personnel office for Standard Form 180. Complete and mail to appropriate address on back of form. This form can also be downloaded from the National Archives Website: http://www.archives.gov.

Reference

Chapter 22 of the CSRS and FERS Retirement Handbook lists the types of military service which are creditable. This Handbook is available via OPM Web site http://www.opm.gov. Search: CSRS and FERS Retirement Handbook.

Military Retired Pay

Career Military Retirement or Non-combat Disability Retirement

The receipt of career military retirement or non-combat disability retirement bars the crediting of military service for CSRS retirement purposes. The employee may waive military retired pay to receive credit toward CSRS retirement. Request alternate retirement estimates based upon civilian service only and civilian and military service combined and payment of the post-56 deposit.

Reserve Retirement or Combat-connected Disability Retirement

Retirement credit is allowed if the retired pay is based on combat-connected disability retirement, or based on age and service in the Reserves (Chapter 67, Title 10, U.S.Code), without waiver of military retired pay.

Post-56 Military Service Credit

Credit for Post-56 Military Service For Persons First Employed Under CSRS BEFORE 10/1/82

Post-56 Deposit is Paid

If a deposit for post-56 military service is paid prior to retirement, post-56 military service (if otherwise creditable service) can be credited for Civil Service annuity purposes, regardless of Social Security entitlement.

Post-56 Deposit is NOT Paid

If a deposit for post-56 military service is not paid prior to retirement, no credit will be given for the post-56 military service in the Civil Service annuity computation IF and WHEN the annuitant becomes eligible for non-disability benefits from the Social Security Administration at age 62, or date of retirement, whichever is later.

If the annuitant is eligible for Social Security benefits at retirement, no credit is granted for post-56 military service in the annuity computation.

If the annuitant is not entitled to Social Security benefits at retirement, full credit is granted for post-56 military service in the annuity computation at retirement.

If the annuitant later turns age 62 and becomes eligible for Social Security benefits, the annuity will be recomputed to eliminate credit for the post-56 military service.

Note: Post-56 military service will be included in determining eligibility for retirement, “title”, regardless of deposit and eligibility for Social Security benefits.

Credit for Post-56 Military Service For Persons First Employed Under CSRS on or AFTER 10/1/82

Post-56 Deposit is NOT Paid

If a deposit for post-56 military service is not made prior to retirement, post-56 military service cannot be credited for retirement eligibility or computation, regardless of entitlement to Social Security benefits.

Examples:

Post-56 Military Service Credit

Example 1: Joe did NOT pay his Post-56 Deposit + is eligible for SS *

Age:	62
Military Service:	1968 - 1972
Post-56 Deposit:	Did NOT pay deposit
Social Security:	Eligible for Social Security.
RESULT:	*No credit for post-56 military service is granted in CSRS annuity.*

If deposit were paid prior to retirement - Full credit is granted for military service for CSRS, regardless of entitlement to Social Security.

Example 2: Joe did NOT pay his Post-56 Deposit + is NOT eligible for SS *

Age:	62
Military Service:	1968 - 1972
Post-56 Deposit:	Did NOT pay deposit
Social Security	Not eligible for Social Security at age 62.
RESULT:	*Full credit is granted for military service in the CSRS annuity, regardless of deposit*

If Joe later becomes eligible for Social Security (after retirement after age 62), he will continue to receive credit for military service in the CSRS annuity.

Example 3: Jim did NOT pay his Post-56 Deposit *

Age:	Retires at age 55
Military Service:	1976 - 1980
Post-56 Deposit:	Did NOT pay deposit
RESULT:	*Full credit is granted for military service at age 55.*

If Jim becomes eligible for Social Security at age 62, the annuity is recomputed to eliminate credit for the post-56 military service.

Example 4: Jim PAID his Post-56 Deposit *

Age:	Retires at age 55
Military Service:	1976 - 1980
Post-56 Deposit:	PAID deposit
RESULT:	*Full credit is granted for military service, regardless of entitlement to Social Security.*

* All examples first employed in CSRS prior 10/1/82.

CSRS Post-56 Military Deposits
(Continued)

Deposit

Post-56 deposit
= 7% of base pay earned during post-56 military service. Interest is charged at a variable rate set by the Department of the Treasury.

Due to a temporary increase in civilian employee retirement deductions in 1999 and 2000, the military deposit for service in 1999 is 7.25% and the deposit for service in 2000 is 7.4%. Request year-by-year earnings for these years in your request for estimated base pay earnings.

Interest

The deposit is interest free until 10/1/85 or two years of first employment under the Civil Service Retirement System, if later. Interest accrues on the anniversary of the interest free period. No interest is charged if the deposit is paid in full by 9/30/86, or within 3 years of first employment under CSRS, whichever is later.

Variable Interest Rates

1985	13.0%	1995	7.00%	2005	4.375%
1986	11.125%	1996	6.875%	2006	4.125%
1987	9.0%	1997	6.875%	2007	4.875%
1988	8.375%	1998	6.75%	2008	4.375%
1989	9.125%	1999	5.75%	2009	3.875%
1990	8.75%	2000	5.875%	2010	3.125%
1991	8.625%	2001	6.375%	2011	2.75%
1992	8.125%	2002	5.5%	2012	2.25%
1993	7.125%	2003	5.0%	2013	1.625%
1994	6.250%	2004	3.875%	2014	1.625%

Military Deposit While on LWOP

Deposit is required only for periods not covered by civilian pay and retirement deductions. Employee must include documentation of their civilian pay with the application to pay the military deposit. Alternative Method for Calculating the Deposit: For employees on LWOP-US who return to civilian service after exercising their restoration rights, the amount of the deposit, before interest, cannot exceed the amount of civilian retirement deductions that would have been deducted for the employee's civilian pay had the employee not performed the military service. See Benefits Administration Letter 03-105, dated June 25, 2003, for a detailed discussion of this alternative method for calculating the deposit. (www.opm.gov. Search BAL 03-105.)

Procedures for Payment of the Post-1956 Deposit:

1) Request Estimated Base Pay Earnings

Obtain Request for Estimated Base Pay Earnings (RI 20-97) from your Personnel Office. This form is also available on www.opm.gov - "Find Forms": Retirement Information Forms. Send Request for Estimated Base Pay Earnings to the appropriate military pay center along with verification of military service. Addresses for military pay centers are provided in the link in the top paragraph of RI 20-97. Open "Miitary Earnings" in the menu bar. Go to "Estimated Earnings". Response will be sent directly to you in approximately 3 weeks.

2) Submit Earnings Estimate to Personnel

Submit estimated earnings to your personnel office. Personnel will calculate the deposit due, plus interest.

3) Pay Deposit Before Retirement

You may pay this deposit by check or by payroll deduction. All deposits must be made to the employing office prior to retirement. Fully paid deposits are not refundable.

Example: Charles, Age 55

Average Salary = $50,000
Charles did not pay the military deposit of $ 6,000.

4 years of military service 1976 - 1980
<u>31 years of civilian service</u> 1983 - 2014
= 35 years of total service
= 66.25% of average salary
= $33,125 per year
= $2,760 per month

If eligible for Social Security at age 62, the annuity is recomputed to eliminate credit for the four years of military service.

<u>31 years of service</u>

= 58.25% of the average salary
= $29,125 per year
= $2427, per month
= **loss of $4,000 per year**

Voluntary Contributions Program

Voluntary contributions (VC) are optional payments to the Retirement fund made in addition to the regular CSRS contributions withheld from salary. Voluntary Contributions may be used to purchase additional annuity or as a savings / investment plan.

Program Overview

Employee Phase:

- After-tax Contributions.
  Employees may make after-tax contributions to a VC account.

- Tax-deferred Variable Interest.
  VC accounts earn tax-deferred, variable interest. Variable interest rates are determined annually by the Department of the Treasury.

Retiree Phase:

- Refunds:
  Refunds may be paid directly to retiree or transferred to an IRA. Interest may also be transferred to the retiree's TSP account.

- Purchase Additional Annuity.
  The amount of additional annuity is based upon the account balance, the age of the retiree on date of separation and survivor election.

Employee Contributions to Voluntary Contribution Account

Eligibility

All employees covered by CSRS (including CSRS offset) may make voluntary contributions unless:

1. the employee received a refund of his/her retirement contributions and has not made a redeposit, or
2. the employee owes a deposit for civilian service during which no CSRS retirement contributions were withheld from salary, or
3. the employee previously received a refund of voluntary contributions and has not had a break in service of three days or more since the refund.

Application to Make Voluntary Contributions

To open a voluntary contributions account, submit a Standard Form 2804, Application to Make Voluntary Contributions to OPM. SF 2804 may be obtained in your personnel office. After the application is approved, OPM will assign an account number and send instructions for making deposits.

Deposits

Voluntary contributions may be made directly to OPM in $25.00 multiples (i.e. $25, $50, $ 75, etc.).

Limitations

Total voluntary contributions cannot exceed 10 percent of the total basic pay received during civilian Federal service.

Interest

Interest is paid on the voluntary contributions account at a variable interest rate set by the Department of Treasury. The 2014 variable interest rate is 1.625%.

Tax-deferred

The interest earned on the voluntary contributions account is tax-deferred.

Employee Refund

An employee may withdraw all voluntary contributions, plus interest, at any time, but will not be permitted to open another Voluntary Contributions account.

VC Annuity Purchase

A retiring employee may elect to purchase additional annuity with the VC account or receive a lump sum refund of the VC account, plus interest.

Purchase of Additional Annuity

Voluntary contributions earn an additional lifetime annual retirement benefit in the amount of $ 7.00, plus an additional $.20 for each full year that the employee is over age 55 on date of retirement, for each $ 100 in the voluntary contributions account. Additional annuity earned from the voluntary contributions is taxed in the same manner as regular annuity payments.

The retiring employee may also elect to provide a survivor annuity based upon the Voluntary Contribution account. The retiree's VC annuity is reduced based upon the age difference between the retiree and the selected survivor annuitant. If a survivor annuity is not elected at retirement, the balance of the VC account is paid as a lump sum upon the death of the retiree.

Cost of Living Adjustments are not applied to the additional voluntary contributions annuity.

Example: Additional Annuity

- $10,000 in Voluntary Contributions account
- Age 56 = $7.20 per year per $100 in VC account
- $720 per year = $60 per month
- No COLA
- May elect survivor annuity

Refund Upon Retirement

A retiring employee may withdraw all voluntary contributions, plus interest, at any time before receiving additional annuity based on those contributions.

Refunds

A retiring employee may withdraw all voluntary contributions, plus interest, at any time before receiving additional annuity based on those contributions. Employees must apply for the refund of voluntary contributions. Note: Interest is paid on the VC account up to the date of separation. To avoid loss of interest, employees should submit the application for refund of VC account directly to OPM at least 60 days prior to retirement.

Taxes

The principle and the interest portion of refunded voluntary contributions can be "rolled over" to another eligible retirement plan, including an Individual Retirement Plan (IRA). However, if any portion of the interest is paid directly to the former employee, it will be subject to 20 percent income tax withholding. OPM will give the payee the opportunity to direct the payment, or portion of the payment, directly to the trustee of the IRA or other qualified retirement plan and avoid the 20 percent tax withholding. If not "rolled over", any accrued interest on refunded voluntary contributions is taxable in the year in which the refund is received. The interest portion of a refund of a voluntary contributions account which is not rolled over to an IRA is also subject to an additional 10 % tax if the individual receives a refund prior to age 59 and ½ except upon separation from service at age 55 or older or payment on account of disability as defined by IRS (See IRS Pub. 575).

Rollover Options

The ***interest portion*** (taxable portion) of the VC refund may be:

- Paid directly to the retiree ,
- Paid to an IRA, Roth IRA or Eligible Employer Plan
- Paid to the retiree's TSP account

The ***contributions portion (***after tax portion) of the VC refund may be:

- Paid to the retiree, or
- Paid to an IRA, Roth IRA or Eligible Employee Plan

Additional Information

Additional information on the Voluntary Contributions program is available in chapter 31 of the CSRS and FERS Retirement Handbook (opm.gov - Retirement - Forms and Publications). Please note: The information on transfers to IRA's provided in this chapter is outdated.

Updated information on rollover options is provided on the Voluntary Contributions Election form RI 38-124 (opm.gov - Find Forms).

Documentation of Service

Review your own records.
Review your Service Computation Date (SCD)
Request and/or provide verification of undocumented service.

Gross Annuity Estimates

Contact your Personnel Office to request an estimate of your annuity benefit. In many cases, one estimate is sufficient. You may manually compute your benefit using the "General Formula" and compare.

NOTE:

You may want alternate estimates if you:

- Are contemplating waiving your Military Retirement to receive credit for your military service in your CSRS benefit.
- Have received a refund of CSRS contributions and have not made a redeposit.
- Performed non-deduction service and have not made a deposit.
- Performed post-56 military service, have not made a deposit and will be entitled to Social Security benefits.
- Are undecided on your survivor election.

Net Annuity Estimates

Estimate your net annuity by subtracting the following from your gross monthly annuity estimate.

- Health benefits premiums
- FEGLI Life Insurance premiums and the cost for Post-retirement Life Insurance Reduction Election. FEHB and FEGLI costs are provided on your annuity estimate.
- Federal and State income tax

Actions Necessary

Waiving Military Retired Pay

Send request to waive MRP to appropriate Military Finance Center at least 60 days prior to your retirement. Ask your Personnel Office to provide you with a sample letter. Send a copy of your request for waiver to OPM along with your retirement application.

Paying Redeposit for Refunded Service

No action is necessary. OPM will notify you of the amount due and your options for payment or electing an actuarially reduced annuity benefit with credit for payment and the annuity rates with and without credit for the refunded service. You will be given 30 days to make your election.

You may pay this redeposit at any time during your career. Contact your Personnel Specialist for guidance.

Paying Deposit for Non-Deduction Service

Submit SF 2803, Application to Make Deposit or Redeposit along with your retirement application. OPM will notify you of the amount due and the annuity rates with an without payment prior to the final adjudication of your annuity. You will be given 30 days to pay the deposit in full.

You may pay this deposit at any time during your career. Contact your Personnel Specialist for guidance.

Paying a post-56 Military Deposit

Post-56 military deposits must be made to your employing agency prior to the final processing of your retirement by OPM. Your agency may process the military deposit and forward it to OPM before OPM finalizes your retirement case. OPM will not accept post-56 military service deposits after retirement.

You may pay this redeposit at any time during your career. Contact your Personnel Specialist for guidance.

Annuity Commencing Dates

CSRS Annuity Commencing Date - Voluntary Retirements

Optional (Voluntary) retirements commence on the first of the month following the month of separation or on the day following the last day of pay if you retire on the 1st, 2nd or 3rd day of the month. This means that the annuity commences on the 1st, 2nd, 3rd or 4th day of the month. Thus, you should plan your retirement for the last day of the month (or near the last day) or for the 1st, 2nd or 3rd of a month to avoid a gap in pay.

Annuity Commencing Dates
(Voluntary Retirements)

Retire	Annuity Commences	The Check Date
May 31	June 1	July 1
June 1	June 2	July 1
June 2	June 3	July 1
June 3	June 4	July 1
June 4	July 1	August 1

Disability and Discontinued Service Retirements

Disability retirements and Discontinued Service (Involuntary) retirements commence the earlier of the day after separation or the day after last day of pay, and all eligibility requirements have been met.

Lump Sum Annual Leave Payment

A lump sum payment for all accrued annual leave will be paid shortly after retirement by your employing agency.

Under 5 U.S.C. 5551(a), the lump-sum payment is computed on the basis of the employee's rights at separation under all applicable laws and regulations existing at the time which would have affected his pay had he remained in the service for the period covered by the leave.

If the employee is separated prior to a statutory pay increase but the period of projected leave extends beyond the effective date of the increase, the lump sum payment shall be adjusted to reflect the increased rate for any leave from the effective date of the pay increase.

Submitting Your Retirement Application

Check with your Personnel Office for specific guidelines on how much notice your agency requires for preparing your retirement package.

Select Retirement Date

Select your retirement date and confirm eligibility.

Retirement Application and Attachments

Notify your Personnel Office of your plans to retire approximately 90 days prior to retirement. Obtain all necessary retirement application forms from your Personnel Office, which will include but is not limited to:

Federal Forms

- Application for Immediate Retirement
- Election of Post-Retirement Basic Life Insurance

Carefully, <u>Read all information and instructions</u> provided in the retirement package.

Forms and Documents to be <u>Attached to Your Retirement File</u>

Your Personnel Office will include the appropriate documents, such as:

- Designation of Beneficiary (if on file)
- Military discharge (if applicable)
- Records of post-56 military deposit
- Application to Make Deposit or Redeposit (if on file)
- Agency annuity estimates
- Life Insurance Elections

Submitting Your Retirement Application
(Continued)

Review Completed Application

You will be asked to review the Agency Summary of Certified Service for completeness and accuracy.

Review the entire retirement package for accuracy.

File is sent to OPM

The entire retirement package, along with your payroll records will be submitted to OPM for adjudication of your annuity.

CSA # is issued

When OPM's Retirement Operations Center in Boyers, Pennsylvania, receives the retirement file, they will send an acknowledgment letter and provide a Civil Service Annuity number (CSA number) and a temporary password for Retirement Services Online. Always refer to your CSA # when corresponding with OPM.

Retirement Services Online

Services Online provides retirement services on demand. Use it to:

- Change your Federal and State Income Tax withholding
- Change your mailing address / Change your Password
- Establish an allotment to an organization
- Set up a checking or savings allotment
- Sign up for direct deposit of your payment
- View/Print annuity statement/verification of income
- View/Print 1099-R Tax Forms
- View/Print verification of life insurance (FEGLI)
- View the status of your case while in interim pay

Interim Payments Begin

OPM reviews the retirement file for eligibility and authorizes recurring interim annuity payments ("special payments") to provide the retiree with income until the retirement claim process is completed. Interim payments are generally about 75 percent of the regular monthly payments. An adjustment check is sent when the case is completed.

Final Processing

OPM provides retirees an Annuity Statement and other informational material concerning the individual's retirement benefit after the claim process is completed.

Cost of Living Adjustments ("COLA")

Effective Date

Civil Service Cost of Living Adjustments begin the first year of retirement, effective December 1 and are reflected in the January 1 annuity payment.

Full Cost of Living Adjustment

The full Cost of Living Adjustment is equal to the increase in the consumer price index.

Prorated Cost of Living Adjustment in Year of Retirement

Partial Cost of Living Adjustments, prorated by the number of months prior to the COLA that the annuity commenced, are payable on annuities commencing 11 or fewer months prior to the COLA. A partial month is counted as a whole month in prorating.

Example:

The full 2013 Cost of Living Adjustment was 1.5%.
A retiree whose annuity commenced on November 4, 2013 received 1/12 of the December 1, 2013 COLA. 1/12 of 1.5%, or 0.125% COLA was reflected in the January 1, 2014 annuity check.

CSRS COLAs 1988 - 2011

December 1, 2012	1.7%	December 1, 1999	2.4%
December 2, 2011	3.6%	December 1, 1998	1.3%
December 1, 2010	No COLA	December 1, 1997	2.9%
December 1, 2009	No COLA	December 1, 1996	2.1%
December 1, 2008	5.8%	December 1, 1995	2.9%
December 1, 2007	2.3%	December 1, 1994*	2.6%
December 1, 2006	3.3%	December 1, 1993*	2.8%
December 1, 2005	4.1%	December 1, 1992*	2.6%
December 1, 2004	2.7%	December 1, 1991	3.0%
December 1, 2003	2.1%	December 1, 1990	3.7%
December 1, 2002	1.4%	December 1, 1989	5.4%
December 1, 2001	2.6%	December 1, 1988	4.7%
December 1, 2000	3.5%		

* Payment of COLA was delayed until March of the following year.

Alternative Annuity ("Lump Sum")

The **Alternative Form of Annuity (Lump Sum Option)** was eliminated in 1994 with one exception:

> **Employees who separate on a non-disability retirement with a life-threatening medical condition remain eligible to elect the Lump Sum Alternative Form of Annuity option.**

An **Alternative Form of Annuity (Lump Sum Option**) is an option which provides an actuarially reduced annuity benefit plus a lump sum payment of an amount equal to all of the money that the employee has in the retirement fund on the date that he/she retires.

Annuitants who are suffering from a life threatening affliction and retire on a non-disability retirement will receive the entire lump sum payment shortly after the alternative annuity election.

Please see Chapter 53 of the CSRS and FERS Retirement Handbook or your personnel office for additional information if you become eligible to elect the Alternative Form of Annuity based on the exception listed above.

Effect of Alternative Annuity on Survivor Benefit

The survivor annuity is NOT reduced for alternative annuity election. The survivor annuity is based on the full annuity, prior to reduction for alternative annuity election. The survivor annuity may actually be higher in the case of an alternative annuity election, because all redeposits and deposits are deemed paid prior to the full annuity computation.

Federal Taxes on Civil Service Annuities

Federal annuities commencing after 11/18/96 are subject to Federal Income taxation using the "Simplified General Rule." Under this rule, each monthly annuity payment is made up of two parts: the tax-free part, which is a return of the contributions, and the taxable balance. The following discussion applies to annuities starting after 1986.

Simplified General Rule

In November 1988, IRS released the **"Simplified General Rule"**, also known as the **"Safe Harbor Method"**, for computing the tax-free and taxable portions of annuity payments. **All employees retiring after November 18, 1996 must use the Simplified General Rule to calculate the tax free part of each annuity payment.**

Tax-Free Part of Annuity

- The **tax-free part** of the annuity is a specific dollar amount based on the commencing annuity rate.
- The tax-free part remains the same each year and does not increase with Cost of Living Adjustments.
- The cumulative tax-free annuity cannot exceed the total contributions.

OPM Form 1099 R

The taxable amount of your CSRS or FERS annuity is calculated using the Simplified General Rule and reported to you on Form 1099R.

Calculation of Tax-Free Annuity

Using the **Simplified General Rule**, the tax-free part of each annuity payment is equal to the investment in the contract (contributions in CSRS Fund), divided by a number based on your age provided below. (These factors may be used if you are not providing a survivor annuity.)

If you are:	Divide cost by:
55 and under	360
56 - 60	310
61 - 65	260
66 - 70	210
71 and over	160

$$\textbf{Tax-Free Part of Annuity Payment} = \frac{\text{Contributions in the Fund}}{\text{Number based on Age}}$$

Example: 55 year old CSRS retiree / no survivor benefit

CSRS Retiree, Age 55
$40,000 in Retirement Fund

$$\frac{\$40{,}000}{360} = \$111 \text{ per month tax free} = \$1{,}332 \text{ per year tax free}$$

Calculation of Tax- Free Annuity with Survivor Benefits

The Taxpayer Relief Act of 1997 created a new table for figuring the tax free amount if a survivor annuity has been provided. The table is based on the combined ages of the annuitant and the survivor annuitant and is effective with annuity start dates beginning after December 31, 1997.

Combined age of annuitants	Divide cost by:
Not more than 110	410
111 to 120	360
121 to 130	310
131 to 140	260
141 and over	210

Example: 55 year old CSRS retiree with survivor benefit

CSRS Retiree, age 55 / Spouse, age 55
Combined ages = 110
$40,000 in CSRS Retirement Fund

$\frac{\$40{,}000}{410}$ = $98 per month tax free = $1,176 per year tax free

Income Tax Withholdings

Exclusion Limit

The total amount of annual income that you (or the survivor annuitant) can exclude over the years as a return of your cost may not exceed your total cost. Annuity payments you or your survivors receive after the total cost of the plan has been recovered are fully taxable.

Deduction of Unrecovered Cost

If the cost of your annuity has not been fully recovered at your (or the survivor annuitant's) death, a deduction is allowed for the unrecovered cost. The deduction is claimed on your (or your survivor's) final tax return as a miscellaneous itemized deduction (not subject to the 2%-of-adjusted-gross-income limit). You may use worksheet A, provided in IRS publication 721, to record the balance of unrecovered costs for your survivors.

Federal Income Tax Withholding

Federal income tax is withheld from your annuity as though you are married claiming three withholding allowances. You may submit a W-4 Federal Income Tax Withholding form to OPM along with your retirement application, or when OPM receives your application, they will send you an election form W-4P-A, to change your election. You may increase or decrease the amount of the monthly withholding or cancel tax withholding completely. You may also change Federal income tax withholding by calling 1-888-767-6738.

State Tax Withholding

If you wish to have **State tax withheld** from your annuity, contact OPM on 1-888-767-6738 to see if your State participates in the withholding program administered by OPM and to specify the monthly withholding amount.

IRS Publications

To obtain IRS publications:
Call 1-800-TAX-FORM, or:
Access IRS Web site http://www.irs.ustreas.gov

Request or download: IRS Pub. 721, Tax Guide to U.S. Civil Service Retirement Benefits (Simplified General Rule)

CSRS Offset Benefits

Definition

A Civil Service employee with at least five years of creditable civilian service who separates and returns to Federal service after 1983 after a break in service or a break in retirement coverage of one year or more returns as a Civil Service Offset employee. (Upon return from a break in service of 4 days or more, the employee also has a 6-month opportunity to transfer to the FERS system.)

Civil Service Offset coverage also applies to employees hired before January 1, 1984, who acquired CSRS coverage for the first time after that date, and had at least 5 years of creditable service by January 1, 1987.

Contribution

Most CSRS Offset employees contribute 7% of salary toward retirement. Of this 7%, 6.2% is the Social Security tax, and the remaining .8% is contributed to the CSR Fund. If the salary exceeds the Social Security maximum taxable amount, the full 7% is contributed to the Civil Service Retirement Fund.

Annuity Computation

A CSRS Offset employee's annuity is computed using the CSRS General Formula, but the annuity payment is reduced (offset) when the retiree becomes eligible for Social Security benefits. The amount of the offset is the amount of Social Security benefit attributable to the employee's CSRS offset service.

Reduction ("Offset")

The amount of the reduction, or offset, is the lesser of:

1. the difference between the total Social Security benefit payable to the employee for all Federal and non-Federal employment and the amount of Social Security benefit payable when the Offset service is excluded (Non-WEP formula); or·
2. the total Social Security benefit payable for all Federal and non-Federal service (WEP Formula) multiplied by the number of years of Offset service divided by 40 (i.e. 8/40).

CSRS Offset Example # 1

CSRS Offset Example 1: Jack

Service History:
9 years private SS
20 years CSRS
Break in service > 1 year under SS
10 years CSRS Offset

($64,000 average salary)

Age 58: CSRS = 30 years
= 56.25%
= $3,000 per month
+ COLA
Age 62: CSRS = $3,200 per month

Age 62: SS based upon 20 years
= $800 per month
SS based upon:
9 years before govt. service
1 year SS during break in service
10 years during offset years

Reduction (Offset) in CSRS is LESSER of:

1)	Total SS (20 years)	-	Private SS (10 years)	=	Offset SS
	$800	-	$300	=	$500
2)	Total SS (20 years)	x	Years Offset/40	=	Offset SS
	$500 (WEP)		10/40	=	$125

Age 58:
CSRS = $3,000

+ COLA

Age 62:
CSRS = $3,200

Age 62:

CSRS Offset:			If not offset:		
	CSRS	$3,200		CSRS	$3,200
-	Offset	- $125	+	SS	+$135 (WEP)
=	CSRS	$3,075	=	Total	$3,335
+	SS (WEP)	+$500			
=	Total	$3,575			

CSRS Offset Example # 2

CSRS Offset Example 2: Karen

Service History:
3 years private SS
15 years CSRS
4 years - Break in service = private SS
15 years CSRS Offset

($50,000 average salary)

Age 55: CSRS = 30 years + 1 USL = 31 yrs.
= 58.25%
= $2,400 per month
+ COLA
Age 62: CSRS = $2,800
Age 62: SS based upon 22 years
= $900 per month

SS based upon:
3 years before govt. service
4 years SS during break in service
15 years during offset years

Reduction (Offset) in CSRS is LESSER of:

1)	Total SS (22 years)	-	Private SS (7 years)	=	Offset SS
	$900	-	$0	=	$900
2)	Total SS (22 years)	x	Years Offset/40	=	Offset SS
	$600 (WEP)		15/40	=	$225

Age 55:
CSRS = $2,400

+ COLA

Age 62:
CSRS = $2,800

Age 62:

	CSRS Offset:			If not offset:	
	CSRS	$2,800		CSRS	$2,800
-	Offset	- $225	+	SS	0
=	CSRS	$2,575	=	Total	$2,800
+	SS (WEP)	+$600			
=	Total	$3,175			

CSRS Offset Example # 3

CSRS Offset Example 3: Larry

Service History:
13 years private SS
8 years CSRS
14 years break in service = private SS
9 years CSRS Offset

($110,000 average salary)

Age 62: CSRS = 17 years
= 30.25%
= $2,800 per month

Age 62: SS based upon 36 years
= $1,800 per month

SS based upon:
13 years before govt. service
14 years during break in service
9 years during offset years

Reduction (Offset) in CSRS is LESSER of:

Total SS (36 years)	-	Private SS (27 years)	=	Offset SS
$1,800	-	$1,600	=	$200

Total SS (36 years)	x	Years Offset/40	=	Offset SS
$1,800		9/40	=	$405

Age 62:

CSRS Offset			**If not offset**		
	CSRS	$2,800		CSRS	$2,800
-	Offset	- $200	+	SS	+$1,510 (WEP Benefit)
=	CSRS	$2,600		Total	$4,310
+	SS	+$1,800			
=	Total	$4,400			

CSRS Offset Provisions

Offset Begins at Age 62

The Offset (reduction) will begin at age 62, or at earliest entitlement to Social Security, even if the retiree chooses not to apply for Social Security benefits until a later date.

Social Security Earnings Limitation

The CSRS annuity will be reduced based upon entitlement to Social Security, even if actual payments have been reduced to zero by the Social Security Earnings Limitation.

Windfall Benefits Elimination Provision

CSRS Offset does not exempt you from the Windfall Benefits Elimination Provision (WEP). The additional years of substantial Social Security Earnings may increase the benefit formula and thus lessen the impact of WEP.

Government Pension Offset

CSRS Offset employees are exempt from Government Pension Offset. Social Security spousal of former spouse benefits or Social Security Survivor benefits to which you may be entitled based upon spouse's work history will not be reduced by your CSRS retirement benefit.

Social Security spousal benefits and survivor benefits will be reduced by the amount of your earned Social Security benefit as required by the Social Security Dual Entitlement Provision.

CSRS Offset Survivor Benefits

The CSRS Offset survivor benefit will be reduced in the same manner as the CSRS retirement benefit if the surviving spouse is eligible for Social Security survivor benefits. If the surviving spouse is not eligible fore Social Security survivor benefits because of Dual Entitlement or Government Pension Offset, there will be no reduction.

Social Security Benefit Estimates

You may estimate the amount of your Social Security benefit with and without the years of Offset service using the on-line calculator available on the Social Security web site. Go to: Retirement Estimator. Go to: Other Benefit Calculators. Scroll down to On-line calculator.

You can obtain a statement of past earnings under Social Security and Medicare and benefit estimates on the Social Security Administration website (www.ssa.gov)

Flexible Spending Accounts

The Federal Flexible Benefits Plan ("FedFlex") enables eligible employees to pay for benefits with pre-tax dollars.

Health Care Flexible Spending Accounts (HCFSA)

Employees may use pre-tax allotments to pay for certain health care expenses that are not covered under the FEHB plan - deductibles, copayments and services not generally covered such as dental care, and orthodontics. The maximum amount that an employee may set aside in 2014 for HCFSA is $2,500. The minimum amount is $250.

Dependent Care Flexible Spending Accounts (DCFSA)

Employees may use pre-tax allotments to pay for eligible dependent care expenses.The maximum amount that an employee may set aside in any tax year for DCFSA is $5,000. The minimum amount is $250.

Use or Lose

If an employee has not incurred enough eligible expenses during the Benefits Period (January 1 through December 31) to equal the annual amount contributed to the FSA(s), he/she will lose the balance remaining in the FSA account(s) when the Benefits Period ends.

Grace Period

FSAFEDS has adopted the 2-1/2 month Grace Period which extends the Benefit Period from December 31 to March 15 of the following year. Par tic pants had additional time to incur expenses and avoid forfeiting funds.

Open Seasons

Open seasons to enroll in FSA FEDS coincide with FEHB open seasons and encompass January 1 through December 31 as the plan year.

Benefits Elections & Information

Participation is not automatic; employees must make an election each and every year. The benefit elections are irrevocable one the plan year has begun, unless the employee experiences a qualifying "change in status" event. There are two ways to enroll during the open season:· Web based enrollment at www.fsafeds.com· Toll-free number 1-877-FSAFEDS (372-3337). Additional information on FSAs is available on OPM's web site at www.fsafeds.com.

Flexible Spending Accounts

Paperless Reimbursement

The following FEHB Plans forward claims to FSAFEDS for services rendered to Paperless reimbursement enrollees or their eligible dependents. You must enroll in paperless re-imbursement each year during the Open Season.

Plan Name	Services/ Claims Covered	Services/ Claims NOT Forwarded
APWU	Medical, Rx, Dental	Consumer Driven Plans, Vision
Aetna	Medical, Rx, Dental, Vision	Denied Rx
Blue Cross / Blue Shield	Medical, Rx, Dental, Vision	Routine Vision, Denied Rx
Compass Rose Hth (ABP)	Medical, Rx, Dental, Vision	Denied Rx
Foreign Svc Benefit Plan	Medical, Rx, Dental	Vision, Denied Rx
GEHA	Medical, Rx, Dental, Vision	Denied Rx
Humana	Medical, Rx, Vision	Dental, Denied Rx
Mail Handlers	Medical, Rx, Dental, Vision	Denied Rx
M.D.IPA	Medical, Rx, Dental, Vision\\	Primary Care Physician, Lab, Radiology, Denied Rx
NALC	Medical, Rx	Consumer Drive Plans, Dental Mental Health, Vision
SAMBA	Medical, Rx, Dental, Vision	Denied Rx, Dental,
UnitedHealthcare	Medical, Rx, Dental, Vision	Denied Rx
FEP Blue Dental	Dental	
FEP Blue Vision	Vision	
VSP	Vision	
Aetna Dental	Dental	
GEHA Dental	Dental	
United Concordia Dental	Dental	Out of Network Claims

See FSAFEDS.com for details on services and claims covered by paperless reimbursement.

Telephone Numbers and Addresses

Request

Request	
General Retirement Information	Retirement Information Branch
Refunds, Deposits & Redeposits	**Toll free-1-88 US OPM RET**
Change of Address	**(1-888-767-6738)**
Questions regarding retirement, health benefits, life insurance coverage, and pay issues on <u>current</u> employees.	(202) 606-0500

Request	OPM Address
1.To report change of address	OPM Attn: Change of Address P.O. Box 440 Boyers, PA 16017-0440
2. To request or inquire about Federal and State income tax	OPM Tax - Retirement P.O. Box 989 Washington, D.C. 20044
3. To inquire about or change health benefits coverage	OPM Health Insurance-Retirement P.O. Box 14172 (If during open season: P.O. Box 809) Washington, D.C. 20044
4. To report death of an annuitant	OPM Retirement Operations Center Attn: Death Claims Section P.O. Box 45 Boyers, PA 16017-0045 (or call 888-767-6738)
5. To report failure to receive the latest monthly annuity check (write NON-RECEIPT OF CHECK on envelope)	OPM Attn: Check Loss P.O. Box 7815 Washington, D.C. 20044-7815
6. To ask any question about your annuity statement 7. To change or request information about designated beneficiary (for FEGLI or CSRS contributions) 8. To inquire about any matter not listed above.	OPM Retirement Operations Center P.O. Box 45 Boyers, PA 16017-0045

Additional Resources and Internet Highlights

Please contact your personnel office or refer to the following internet sites for additional information.

Retirement Benefits: www.opm.gov
- CSRS and FERS Retirement Handbook for Personnel and Payroll Offices
  - Go to ”Retirement”.
  - Go to “Publications and Forms”.

Insurance: www.opm.gov/insure/
- Federal Employees’ Group Life Insurance
- Federal Employees’ Health Insurance
- Long-Term Care Insurance

Thrift Savings Plan: www.tsp.gov
- Publications (Civilian - Forms and Publications)
- Calculators

Social Security Benefits: www.ssa.gov
- Resources:
  - Your Social Security Statement
  - Publications

STATE TAX TREATMENT *of* FEDERAL

States With No Personal Income Taxes

ALASKA
FLORIDA
NEVADA
NEW HAMPSHIRE[1]
SOUTH DAKOTA
TENNESSEE[2]
TEXAS
WASHINGTON
WYOMING

[1] NEW HAMPSHIRE: Taxes interest/dividend income at 5% if it exceeds $2,400 (single) or $4,800 (couple). $1,200 exemption for residents age 65+.

[2] TENNESSEE: Taxes certain interest/dividend income at 6% if it exceeds $1,250 (single) or $2,500 (couple).

States Exempting Total Amount of Civil Service Annuities

ALABAMA
HAWAII
ILLINOIS
KANSAS
KENTUCKY[1]
LOUISIANA
MASSACHUSETTS
MICHIGAN[2]
MISSISSIPPI
NEW YORK
NORTH CAROLINA[3]
OREGON[4]
PENNSYLVANIA
TENNESSEE

[1] KENTUCKY: Amount attributable to service prior to January 1, 1998, is exempt. See below for taxation of annuities attributable to service on or after January 1, 1998.

[2] MICHIGAN: Full exemption only applicable to taxpayers born before 1946. See below for taxation of federal (and other) pension income for taxpayers born 1946 and later.

[3] NORTH CAROLINA: Annuities not taxed if the individual had five years of government service as of August 12, 1989. If otherwise, see below.

[4] OREGON: Annuities of those who retired before October 1, 1991, are not taxed. Those who retired after October 1, 1991, are taxed only on that portion of the annuity attributable to government service after October 1, 1991.

Other Exemptions

NOTE:
AGI=Adjusted Gross Income
CSRS=Civil Service Retirement System
FERS=Federal Employees Retirement System
HH=Head of Household
IRA=Individual Retirement Account
MFJ=Married Filing Jointly
MFS=Married Filing Separately
QW=Qualified Widow(er)
RR=Railroad Retirement
SS=Social Security

ALABAMA: Federal retirement, military retirement, state pension income, SS are exempt. Income from certain defined-benefit pension plans is exempt.

ARIZONA: $2,500 exclusion for federal, military, and Arizona state and local pension income. SS and RR are exempt. Additional personal exemption for all residents age 65+. May subtract qualifying long-term care premiums if itemizing deductions.

ARKANSAS: Exempts up to $6,000 in federal retirement, military, in-state and out-of-state state or local government and private pension income. IRA distributions can be included as part of the exemption if the taxpayer is age 59-1/2+. SS and Tier 1 and Tier 2 RR benefits are exempt.

CALIFORNIA: SS and RR are exempt. Additional $106 personal exemption for residents age 65+. Residents age 65+ with AGI below $67,521 who qualified as HH in 2011 or 2012 by providing a household for a qualifying individual who died during 2011 or 2012 may claim a tax credit of 2% of their income, up to a maximum of $1,272. All private and public pensions are taxed.

COLORADO: $20,000 pension/annuity exemption for all taxpayers between the ages of 55 and 64. $24,000 pension/annuity exemption for all taxpayers age 65+. Exemption applies to SS, RR and other qualifying retirement income (including

ANNUITIES

This roundup of state tax treatment of federal annuities and other tax information was compiled by the NARFE Legislative Department. It is presented for informational purposes only and does not constitute professional tax advice. Please consult a tax professional for advice in preparing tax returns. The information also is available on the NARFE website, www.narfe.org.

federal civil service annuities and military retirement).

CONNECTICUT: SS is exempt if federal AGI is $50,000 or less (if single or MFS), or $60,000 or less (if MFJ, HH or QW with dependent child). Exempts 50% of federally taxable military retirement pay.

DELAWARE: Taxpayers age 60+ may exclude $12,500 of investment and qualified pension income (including out-of-state and federal government pensions), and qualify for an additional tax credit of $110. Taxpayers under age 60 may exclude $2,000. Taxpayers age 65+ (or blind) are entitled to an additional standard deduction of $3,250 (if not itemizing). Single or MFS taxpayers age 60+ as of December 31, 2013, or totally disabled, may exclude $2,000 if earned income is less than $2,500, and AGI is $10,000 or less. If MFJ and both spouses are age 60+ as of December 31, 2013, or totally disabled, may exclude $4,000 if earned income is less than $5,000, and AGI is $20,000 or less. SS and RR are exempt.

DISTRICT OF COLUMBIA: Taxpayers age 62+ may exclude $3,000 of military, federal and DC government pensions. For taxpayers age 62+, DC or federal government survivor benefits are exempt from DC tax. SS and Tier 1 RR are exempt.

GEORGIA: Taxpayers who are age 62-64, or permanently and totally disabled regardless of age, may exclude $35,000 of retirement income. For taxpayers age 65+, the retirement income tax exclusion is $65,000. Retirement income includes income from pensions and annuities, interest income, dividend income, net income from rental property, capital gains income and income from royalties. Up to $4,000 of the maximum allowable exclusion may be earned income. SS and RR are exempt.

HAWAII: Federal retirement, military retirement, state or county retirement system pension income, SS, Tier 1 RR benefits and qualifying distributions from employer-funded pensions are exempt. Additional personal exemption of $1,144 per person age 65+.

IDAHO: SS and RR are exempt. Retirement benefits deduction available for CSRS annuitants who established CSRS eligibility prior to 1984, who are age 65+, or 62+ and disabled, in the amount of $30,396 (if single) or $45,594 (MFJ) minus SS and RR received. Retirement benefits deduction also available for military retirees. Persons using MFS status are not eligible for the retirement benefits deduction. May deduct health insurance and qualified long-term care premiums (within limits).

ILLINOIS: SS, RR and income from any qualified employee benefit plan are exempt (including federal civil service annuities).

INDIANA: SS and RR benefits are exempt. Taxpayers age 60+ may exclude up to $5,000 of military retirement income. Taxpayers age 62+ may deduct up to $2,000 of a federal civil service annuity minus the total amount of any SS or RR benefits. Additional personal exemption of $500 if federal AGI is less than $40,000 for residents age 65+. May deduct from income premiums paid for long-term care insurance through the Indiana Partnership.

IOWA: Taxpayers age 55+ may exclude up to $6,000 (if single) or $12,000 (if MFJ) of pension or annuity income (including civil service annuities), self-employed retirement plan income, deferred compensation, IRA benefits or other retirement plan benefit income (not including SS). 89% of federally taxable SS benefits are excluded. RR benefits are exempt but used to calculate amount of federally taxable SS benefits. Additional $20 personal exemption credit for those age 65+.

KANSAS: Federal, RR, military, in-state/local pensions are exempt. SS is exempt if federal AGI is $75,000 or less; otherwise, only federally taxable benefits taxed. Additional $850 deduction for those age 65+ ($700 each if MFJ or MFS).

KENTUCKY: Federal civilian and military retirement annuities attributable to service prior to January 1, 1998, are excluded. Annuities attributable to service after January 1, 1998, are included as pension income, of which taxpayers may exclude up to $41,110. SS and RR benefits are exempt. May deduct amount of health, dental and long-term care premiums.

LOUISIANA: SS is exempt. Federal retirement annuities are exempt. In addition, persons age 65+ may exclude up to $6,000 of annual retirement income from their taxable income.

MAINE: SS and RR are exempt. May deduct $6,000 of eligible pension income, including federal civil service annuity income, from federal AGI. Except for military income, the $6,000 deduction must be reduced for SS and RR benefits. Additional standard deductions: for individuals, $1,500 if age 65+; for MFS, MFJ or QW, $1,200 per spouse or person who is age 65+. Long-term care premiums are deductible.

MARYLAND: SS and RR are exempt. If age 65+, may exclude up to $27,800 in pension income, reduced by SS or

RR benefits. Additional $1,000 exemption for residents age 65+. Additional $5,000 exemption for military retirement income received by an individual of any age or the surviving spouse or ex-spouse of the individual if the individual was a member of an active or reserve component of the U.S. military, an active duty member of the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration, the Coast and Geodetic Survey, or a member of the Maryland National Guard.

MASSACHUSETTS: SS, civil service annuities are exempt. Additional exemption of $700 for individuals age 65+.

MICHIGAN: For taxpayers born before 1946, SS, RR, military retirement annuity, and all state and federal pension income is exempt. Private pension income is exempt up to $48,302 (individual filers) or $96,605 (MFJ), reduced by the amount of any public pension deduction claimed. Also may deduct interest, dividends and capital gains up to $10,767 (individual filers) or $21,534 (MFJ).

For taxpayers born in 1946-1952, before the taxpayer reaches age 67, public and private pension income is exempt only up to $20,000 (single) or $40,000 (MFJ), and no deduction is allowed for interest, dividends and capital gains. After reaching age 67, taxpayers born in 1946-1952 are allowed a $20,000 (single) or $40,000 (MFJ) subtraction against all income, but are ineligible for this income subtraction if claiming a military or Tier 2 RR pension exclusion.

For taxpayers born in 1953 or later, SS, RR and military pensions are exempt. But there is no public or private pension exemption or interest, dividends and capital gains exemption before the individual reaches age 67. Once 67, those taxpayers may elect either to exempt up to $20,000 (single) or $40,000 (MFJ) without any exemption for SS, RR or military retirement and no personal exemptions, or they may elect to exempt SS, military and RR and claim personal exemptions.

Additional details for the 2013 tax year are available at: www.michigan.gov/documents/taxes/4884_Inst_443078_7.pdf.

MINNESOTA: RR is exempt.

MISSISSIPPI: Qualified retirement income (including federal retirement annuities and SS) is exempt. Additional exemption of $1,500 for residents age 65+.

MISSOURI: Taxpayers with AGI under $85,000 (single, HH, MFS, QW) or $100,000 (MFJ) may exempt the greater of $6,000 or 100% of any federal, state or local pension income, up to a maximum of $35,939 per taxpayer. Taxpayers with AGI under $25,000 (single, HH, QW) or $32,000 (MFJ) or $16,000 (MFS) may exempt $6,000 of private pension income. Taxpayers with AGI over these limits must reduce their private pension exemption dollar for dollar as income exceeds the limit. Taxpayers age 62+ or disabled with an AGI under $85,000 (single, HH, MFS, QW) or $100,000 (MFJ) may exempt 100% of the taxable amount of SS or SS disability benefits, but must reduce the exemption dollar for dollar as income exceeds the limit. Additional exemption (60%) for military pension income. May deduct long-term care premiums.

MONTANA: Taxpayers with AGI under $32,480 may exclude $3,900 of pension income; for AGI above $32,480, the pension income exclusion is reduced $2 for every $1 of AGI above $32,480. RR benefits are exempt. Additional exemption of $2,280 if age 65+. Taxpayers age 65+ may exempt $800 of interest income reported as federal AGI or $1,600 if MFJ.

NEBRASKA: Tier I and II RR benefits are exempt.

NEW JERSEY: SS and RR benefits are exempt. Taxpayers age 62+ may exclude up to $10,000 (MFS), $15,000 (single) or $20,000 (MFJ) of pensions, annuities and IRA withdrawals, provided gross income is not more than $100,000. In addition, taxpayers age 62+ with earned income (from wages, net business profits, distributive share of partnership income and net pro-rata share of S corporation income) of $3,000 or less, and with gross income not more than $100,000, may exclude other nonpension retirement income up to the maximum exclusion amount. If ineligible for SS or RR, entitled to deduct an additional $3,000 (single, MFS) or $6,000 (MFJ, HH, QW). Military pensions are exempt. Additional $1,000 personal exemption for residents age 65+. If taxpayers can recover all civil service retirement contributions in the first three years, can use the three-year rule, in which annuities are not taxed until total employee contributions have been recovered. If not, must use the general rule method, in which a portion of annuity is excluded from taxation.

NEW MEXICO: Taxpayers age 65+ or blind may qualify for additional exemption of $8,000 if federal AGI is less than $15,000 (MFS), $18,000 (single) or $30,000 (MFJ, HH, QW). The exemption reduces as income increases, with no exemption if income is over $25,500 (MFS), $28,500 (single) or $51,000 (MFJ). RR is exempt. If age 100+, exempt from state income tax but only if centenarian cannot be claimed as a dependent by someone else.

NEW YORK: State and federal pensions exempt completely. An additional pension and annuity income exclusion of up to $20,000 is available to persons age 59-1/2+. SS and RR are exempt.

NORTH CAROLINA: Pursuant to the North Carolina Supreme Court's decision in *Bailey v. State of North Carolina,* the state may not tax certain retirement benefits received by federal civil service and military retirees or retirees of the state of North Carolina and its local governments if the retiree has five or more years of creditable service as of August 12, 1989. If retirees in those categories did not have five years of service as of August 12, 1989, they may deduct the amount included in federal taxable income or $4,000, whichever is less. This deduction also applies to retirement benefits paid to former teachers and state employees of other states and their political subdivisions regardless of the five-year service date. If MFJ and both spouses received federal, state or local government retirement benefits, each may deduct up to a maximum of $4,000. If an individual's federal taxable income includes retirement benefits from a private retirement plan, a deduction of up to $2,000 may be available. If an individual received both government and private retirement benefits, the maximum deduction is the total amount included in federal taxable income or $4,000, whichever is less.

NORTH DAKOTA: RR is exempt. May exclude 40% of net long-term capital gains and qualified dividends.

OHIO: SS and RR are exempt. General retirement income credit available in an amount starting at $25 if qualifying retirement income is at least $500, and maxing out at $200, if qualifying retirement income is $8,000 or more. Residents age 65+ are entitled to a $50 tax credit per return. Military pension income is exempt. Taxpayers who served in the military and receive a federal civil service retirement pension are eligible for a limited deduction if any portion of their federal retirement pay is based on credit for their military service. These retirees can deduct the percentage (in terms of years of service) of the amount of their federal retirement pay that is attributable to their military service. May deduct long-term care premiums.

OKLAHOMA: SS is exempt. Each individual may exclude 100% of retirement benefits received from federal CSRS, including survivor benefits, paid in lieu of Social Security to the extent that these benefits are included in the federal AGI. Note: Retirement benefits paid under FERS do not qualify for this exclusion. However, for retirement benefits containing both a FERS and a CSRS component, the CSRS component will qualify for the exclusion. Individuals may exclude their FERS retirement benefits or Oklahoma state employment retirement benefits or other qualifying retirement income up to $10,000. Individuals may exclude the greater of 75% of their military retirement benefits or $10,000. Additional personal exemption of $1,000 if age 65+ and federal AGI is $15,000 or less (single), $25,000 or less (MFJ), $12,500 or less (MFS), or $19,000 or less (HH).

OREGON: Federal civil service annuities of those who retired before October 1, 1991, are not taxed. Those who retired after October 1, 1991, are taxed only on that portion of the annuity attributable to government service after October 1, 1991. Taxpayers age 62+ may qualify for retirement income credit (see worksheet regarding line 34) if household income is below $22,500 (or $45,000 if MFJ) or elderly tax credit (40% of federal credit), but may not claim both. SS and RR benefits are exempt. Additional standard deduction if age 65+ of $1,200 (single, HH), $1,000 each spouse age 65+ (MFJ, MFS and QW).

PENNSYLVANIA: SS, RR, federal civil service, military retirement benefits and other employer-sponsored retirement plan benefits exempt. Distributions from IRAs, if age 59-1/2, are exempt.

RHODE ISLAND: RR is exempt.

SOUTH CAROLINA: If below age 65, may deduct $3,000 of qualified retirement income (including federal retirement annuities). If age 65+, may deduct $10,000 of qualified retirement income (including federal retirement annuities). All individuals age 65+ are entitled to a $15,000 deduction from income, reduced by any deduction claimed for qualified retirement income. SS and RR are exempt.

TENNESSEE: Tax applies only to certain interest and dividend income, not wages and salary or pension income. Any person age 65+ is tax-exempt if total annual income, from any and all sources, is $33,000 or less, or $59,000 or less for joint filers. An exemption of $1,250 ($2,500 if MFJ) is allowed against total taxable interest.

UTAH: Taxpayers age 65+ may be entitled to a retirement credit of up to $450 ($900 MFJ). Taxpayers under age 65, born before January 1, 1953, and with eligible retirement income may qualify for a credit up to 6% of eligible retirement income with a cap of $288.

VERMONT: RR is exempt.

VIRGINIA: Taxpayers age 65+ whose birthdate is on or before January 1, 1939, may claim an age deduction of $12,000 (available for each person or spouse if MFJ). If birthdate is on or between January 2, 1939, and January 1, 1949, the $12,000 age deduction is reduced by $1 for every $1 that adjusted federal AGI exceeds $50,000 (single) or $75,000 (MFJ, MFS). SS and Tier I RR benefits are exempt. Additional personal exemption of $800 if age 65+ or blind. Long-term care premiums are eligible for deduction if not claimed as an itemized deduction on federal return and if not used as the basis of the Virginia Long-Term Care Insurance Credit.

WEST VIRGINIA: $2,000 of military, federal retirement and state pensions is exempt. Additional exemption for military pension income up to $20,000. RR is exempt. Taxpayers age

65+ or surviving spouses may exclude the first $8,000 each of any remaining non-exempt income.

WISCONSIN: Federal civil service retirement payments are exempt from state income tax if: 1) individual retired from the system before January 1, 1964; 2) individual was a member of the system as of December 31, 1963, retiring at a later date and the payments received are from an account established before 1964; or 3) individual is receiving payments from the system as a beneficiary (survivor) of an individual who met condition 1 or 2. If age 65+, may exempt up to $5,000 of retirement income if federal AGI is less than $15,000 or $30,000 (MFJ). Additional personal exemption of $250 if age 65+. SS and RR benefits are exempt. Military retirement pay and retirement pay related to service with the Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration or the commissioned corps of the Public Health Service are exempt. Long-term care insurance premiums may be exempt (exceptions exist to this general rule).

State Sales Taxes | With Average Combined City and County Rates

ALABAMA*	4.0	8.48%
ALASKA	0.0	1.69
ARIZONA*†	5.6	7.15
ARKANSAS* [1]	6.5	9.18
CALIFORNIA*†	7.5	8.41
COLORADO*†	2.9	7.39
CONNECTICUT*†	6.35	6.35
DELAWARE [2]	0.0	0.0
DIST. OF COL.*†	5.75	5.75
FLORIDA*†^	6.0	6.62
GEORGIA*†	4.0	6.98
HAWAII* [3]	4.0	4.35
IDAHO*	6.0	6.78
ILLINOIS [4]	6.25	8.13
INDIANA*†	7.0	7.0
IOWA*†	6.0	6.78
KANSAS*	6.15	8.13
KENTUCKY*†	6.0	6.0%
LOUISIANA*†	4.0	8.89
MAINE*†	5.5	5.5
MARYLAND*†^	6.0	6.0
MASSACHUSETTS*†	6.25	6.25
MICHIGAN*†	6.0	6.0
MINNESOTA*†^	6.875	7.18
MISSISSIPPI*	7.0	7.0
MISSOURI* [5]	4.225	7.51
MONTANA	0.0	0.0
NEBRASKA*†	5.5	6.79
NEVADA*†	6.85	7.93
NEW HAMPSHIRE	0.0	0.0
NEW JERSEY*†^	7.0	6.97
NEW MEXICO*† [6]	5.125	7.26
NEW YORK*†^	4.0	8.48
N. CAROLINA*	4.75	6.9
N. DAKOTA*†	5.0	6.6%
OHIO*†	5.75	6.8
OKLAHOMA*	4.5	8.72
OREGON	0.0	0.0
PENNSYLVANIA*†^	6.0	6.34
RHODE ISLAND*†^	7.0	7.0
S. CAROLINA*†	6.0	7.19
S. DAKOTA*	4.0	5.83
TENNESSEE* [7]	7.0	9.44
TEXAS*†^	6.25	8.15
UTAH* [8]	5.95	6.68
VERMONT*†^	6.0	6.14
VIRGINIA*^ [9]	5.3	5.62
WASHINGTON*†	6.5	8.87
WEST VIRGINIA* [10]	6.0	6.04
WISCONSIN*†	5.0	5.43
WYOMING*†	4.0	6.04

KEY:
* Prescription drugs are exempt
† Food is exempt
^ Nonprescription drugs are exempt

Additional exemptions and varied rates for particular sales may apply.

[1] Arkansas: Taxes food at 1.5%.

[2] Delaware: Imposes a gross receipts tax on the seller of goods (tangible or otherwise) ranging from 0.1037% to 2.0736%.

[3] Hawaii: Does not technically have a a sales tax but imposes a general excise tax of 4% of the gross receipts of most businesses.

[4] Illinois: Taxes qualifying food, prescription and nonprescription drugs at 1%.

[5] Missouri: Taxes food at 1.225%.

[6] New Mexico: Does not have a sales tax but imposes a gross receipts tax instead, which has a similar effect, on persons engaged in business in New Mexico. In almost every case, the tax is passed to the consumer, either separately stated or as a part of the selling price. Rate varies within the state from 5.125%-8.8675%. Deductions are available, including for prescription drugs and qualifying food sales.

[7] Tennessee: Taxes food at 5.0%.

[8] Utah: Includes a 1.25% tax levied by local governments. Taxes food at a state rate of 1.75% with local additions of up to 3%.

[9] Virginia: Includes statewide local tax of 1%. Taxes food for home consumption at 2.5%, which includes statewide local tax of 1%. There is an additional 0.7% state tax imposed in the localities that make up Northern Virginia and Hampton Roads.

[10] West Virginia: Taxes food at 3%.

INSURANCE PROGRAMS

Federal Employees'
Health Benefits (FEHB)

Medicare Benefits

Federal Employees' Group
Life Insurance (FEGLI)

Long-Term Care Insurance

Insurance Programs

Contents

FEHB Premiums in Retirement

Federal employees may continue FEHB into retirement upon meeting certain requirements.

The Federal government continues to pays a large portion of the FEHB premium for Federal retirees.

Currently, retirees are not permitted to pay FEHB premiums on a pre-tax basis.

Premiums are withheld on a monthly basis.

Continuation of FEHB Into Retirement

A retiring employee is eligible to continue Federal Employees' Health Benefits (FEHB) coverage into retirement if he/she:

1. retires on an immediate annuity (commences within 31 days of separation), and
2. is insured on date of retirement, and
3. was covered by Federal Employees' Health Benefits, under his/her own enrollment or as a family member under another Federal enrollment, for the five years of service immediately proceeding retirement or since his/her first opportunity to enroll.

FEHB Changes in Retirement

Enrollments may be changed from self-only to family and from one plan or option to another only during open seasons or upon specific events. (See Table of Permissible Changes.)

Enrollments may be canceled or changed from family to self-only at any time.

Annuitants, generally, are **not permitted to enroll** in Federal Employees' Health Benefits after retirement.

Exception:

A Federal retiree who loses coverage as a family member under his/her spouse's self and family FEHB is eligible to enroll in a FEHB plan if he/she had retired on an immediate annuity and had been continuously covered under the FEHB Program for the five years of service immediately preceding retirement or since first opportunity to enroll, whichever is shorter.

FEHB Enrollment After Retirement

Example # 1: Jim & Janice
Two Federal Retirees

Jim changes from self and family to self only.

Janice lost her Federal health insurance coverage.

Janice was covered by Jim's self and family FEHB for more than 5 years prior to her immediate retirement.

Janice may enroll in her own FEHB plan as a retiree.

FEHB Enrollment After Retirement

Example # 2: Mike and Mary
Two Federal Retirees

Mike carried the self and family enrollment in retirement. Mike elected no survivor benefit for Mary.

Mike predeceased Mary. Mary lost her FEHB coverage as a family member.

Mary was covered by Mike's self and family FEHB for more than 5 years prior to her immediate retirement.

Mary may enroll in her own FEHB plan as a retiree.

Example # 3: Clare and Charlie
Federal Retiree - Non-Federal Spouse

Clare, a Federal retiree, continued self and family FEHB into retirement.

Charlie worked for XYZ Company and was provided very good and inexpensive self and family health insurance as an employee.

Clare canceled her FEHB in retirement and was covered by Charlie's private insurance.

Charlie retired form XYZ Company and was offered a more costly health plan in retirement.

Clare MAY NOT enroll in FEHB.

Federal Health Insurance For Surviving Spouse

Caution A surviving spouse will not be permitted to continue Federal Health Benefits upon the death of a retiree unless a survivor annuity is payable.

FEHB Suspension in Retirement

FEHB Coverage May be Suspended in Retirement

Retirees may suspend FEHB enrollment to enroll in a Medicare HMO, Tricare, Tricare-for-Life or Champus. (Tricare, Tricare-for-Life and Champus are health insurance plans for military retirees and dependents.)

Retirees May Reinstate Suspended FEHB Coverage

Retirees may reinstate FEHB coverage during an open season or if the coverage in the Medicare HMO, Tricare, Tricare-for-Life, or Champus is terminated.

Tricare and FEHB

Tricare, Tricare-for Life and Champus coverage qualify for the 5 years of health insurance coverage required to continue FEHB into retirement.

Tricare, Tricare-for Life and Champus do not qualify as enrolled in FEHB on date of separation.

You may enroll in FEHB during the open season effective prior to retirement, continue FEHB into retirement and then suspend FEHB coverage in retirement to utilize Tricare or Tricare-for Life or Champus coverage. (Note: the FEHB coverage must be effective on or before date of separation.) You may return to FEHB coverage during an open season, or if you lose the Tricare, Tricare-for-Life or Champus coverage.

Contact OPM to suspend coverage. Inform OPM that you are suspending coverage because you plan to use Tricare, Tricare-for-Life, Champus or a Medicare HMO.

Table of Permissible Changes
Annuitants and Compensationers

Code	*Qualifying Life Events (QLEs) That Permit Enrollment or Change*	*Change Permitted*			*Time Limits*
***Code* 2**	***Event*** ***Annuitants and Compensationers***	***From Not Enrolled to Enrolled***	***From Self Only to Self and Family***	***From One Plan or Option to Another***	***When You Must File Health Benefits Election Form With OPM***
	Note for enrolled survivor annuitants: *A change in family status based on additional family members can only occur if the additional eligible family members are family members of the deceased employee or annuitant.*				
2A	Open Season	No	Yes	Yes	As announced by OPM.
2B	Change in family status; for example: marriage, birth or death of family member, adoption, legal separation, or divorce.	No	Yes	Yes	From 31 days before through 60 days after the event.
2C	Reenrollment of annuitant who cancelled FEHB enrollment to enroll in a Medicare-sponsored plan, Medicaid, or similar State-sponsored program and who later was involuntarily disenrolled from the Medicare-sponsored plan, Medicaid, or similar State-sponsored program.	May Reenroll	N/A	N/A	From 31 days before through 60 days after disenrollment.
2D	Reenrollment of annuitant who cancelled FEHB enrollment to enroll in a Medicare-sponsored plan, Medicaid, or similar State-sponsored program and who later voluntarily disenrolls from the Medicare-sponsored plan, Medicaid, or similar State-sponsored program.	May Reenroll	N/A	N/A	During open season.
2E	Restoration of annuity or compensation (OWCP) payments; for example: Disability annuitant who was enrolled in FEHB, and whose annuity terminated due to restoration of earning capacity or recovery from disability, and whose annuity is restored; Compensationer whose compensation terminated because of recovery from injury or disease and whose compensation is restored due to a recurrence of medical condition; Surviving spouse who was covered by FEHB immediately before survivor annuity terminated because of remarriage and whose annuity is restored; Surviving child who was covered by FEHB immediately before survivor annuity terminated because student status ended and whose survivor annuity is restored; Surviving child who was covered by FEHB immediately before survivor annuity terminated because of marriage and whose survivor annuity is restored.	Yes	N/A	N/A	Within 60 days after the retirement system or OWCP mails a notice of insurance eligibility.
2F	Annuitant or eligible family member loses FEHB coverage due to termination, cancellation, or change to Self Only of the covering enrollment.	Yes	Yes	Yes	From 31 days before through 60 days after date of loss of coverage.
2G	Annuitant or eligible family member loses coverage under FEHB or another group insurance plan; for example: Loss of coverage under another federally-sponsored health benefits program; Loss of coverage due to termination of membership in the employee organization sponsoring the FEHB plan; Loss of coverage under Medicaid or similar State-sponsored program (but see events 2C and 2D); Loss of coverage under a non-Federal health plan.	Yes	Yes	Yes	From 31 days before through 60 days after loss of coverage

Table of Permissible Changes
Annuitants and Compensationers

QLEs That Permit Enrollment or Change		***Change Permitted***			***Time Limits***
Code	***Event***	***From Not Enrolled to Enrolled***	***From Self Only to Self and Family***	***From One Plan or Option to Another***	***When You Must File Health Benefits Election Form With OPM***
2H	Annuitant or eligible family member loses coverage due to the discontinuance, in whole or part, of an FEHB plan.	N/A	Yes	Yes	During open season, unless OPM sets a different time.
2I	Annuitant or covered family member in a Health Maintenance Organization (HMO) moves or becomes employed outside the geographic area from which the carrier accepts enrollments, or if already outside this area, moves or becomes employed further from this area.	N/A	Yes	Yes	Upon notifying the employing office of the move or change of place of employment.
2J	Employee in an overseas post of duty retires or dies.	No	Yes	Yes	Within 60 days after retirement or death.
2K	An enrolled annuitant separates from duty after serving 31 days or more in a uniformed service.	N/A	Yes	Yes	Within 60 days after separation from the uniformed service.
2L	On becoming eligible for Medicare. (This change may be made only once in a lifetime.)	N/A	No	Yes	At any time beginning on the 30th day before becoming eligible for Medicare.
2M	Annuitant's annuity is insufficient to make withholdings for plan in which enrolled.	N/A	No	Yes	OPM will advise annuitant of the options.

Events permitting changes for employees, former spouses and Temporary Continuation of Coverage for former employees, former spouses and children are available in the FEHB Handbook on www.opm.gov. Search “FEHB Permissible Changes”.

Medicare

Original Medicare Plan

Medicare is a Federal health insurance program for people age 65 or older, people any age with permanent kidney failure, and certain disabled people. Medicare is administered by the Health Care Financing Administration. The Social Security Administration provides information about the program, takes applications for Medicare, and assists beneficiaries in claiming Medicare payments.

The Original Medicare Plan is the traditional pay-per visit arrangement that covers Medicare Part A and Part B services. Participants can go to any doctor, hospital, or other health care provider who accepts Medicare.

Medicare+Choice Managed Care Plan

Beginning in 1999, Medicare eligible annuitants may remain in Original Medicare or elect to receive Medicare benefits from an array of Medicare+Choice managed care plan options. These are Medicare sponsored HMO plans, referred to as Medicare Coordinated Care Plans (MCCPs). These managed care plans involve a group of doctors, hospitals, and other health care providers who have agreed to provide care to Medicare beneficiaries in exchange for a fixed amount of money from Medicare every month. They include Health Maintenance Organizations (HMOs), HMOs with Point of Service Options, Provider Sponsored Organizations, and Preferred Provider Organizations.

Medicare+Choice enrollees may not need FEHB coverage because the Medicare managed care plan provides many of the same benefits as FEHB. FEHB enrollees may suspend FEHB coverage to enroll in a Medicare managed care plan and later re-enroll in FEHB if they lose or cancel the Medicare managed care plan. For additional information, contact OPM before suspending FEHB coverage by calling 1-888-767-6738 or 202-606-0500 or write to:

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

Medicare At-A-Glance

Original Medicare Part A (Hospital Insurance) helps pay for:	■ inpatient hospital care ■ skilled nursing facility care ■ home health care ■ hospice care
Original Medicare Part B (Medical Insurance) helps pay for:	■ doctor's services ■ outpatient hospital care ■ X-rays and laboratory tests ■ durable medical equipment and supplies ■ home health care (if you don't have Part A) ■ certain preventive care ■ limited ambulance transportation ■ other outpatient services ■ some other medical services that Part A doesn't cover, such as physical and occupational therapy.

Medicare Part A
Hospital Insurance

Eligibility & Cost

- Persons age 65 or older receiving Social Security benefits are **automatically enrolled** in Medicare Part A with **no monthly premium.**

- **Medicare Part A was extended to all Federal employees on 1/1/83.** All Federal employees (and spouses) and former Federal employees (and spouses) who were in Federal service on 1/1/83 or worked for at least ten years in Medicare-covered employment **may enroll with no premium.**

- Persons age 65 or older who are not otherwise eligible can buy Part A Medicare protection.

Deductibles

The **deductibles** for Medicare hospital and skilled nursing facility benefits are based upon benefit periods.

2014 Deductibles (per benefit period):

Hospital period:	
1st 60 days	$1,260
61 - 90 days	$304/day
91 - 150 days	$608/day
Skilled nursing care (following hospitalization)	
1st 20 days	no deductible
21 - 100 days	$152/day

Benefit Period

A benefit period begins on the first day of inpatient Medicare-covered service in a qualified hospital and ends after 60 days in a row out of a hospital or facility that provides skilled nursing or rehabilitation services. A new benefit period begins upon return to hospital after 60 days.

Medicare Part B
Medical Insurance

Eligibility

Almost anyone who is age 65 or older is eligible to enroll in Part B - medical insurance.

Cost

The **monthly premium** for Part B - medical insurance changes annually. Generally, premiums are withheld from the monthly Social Security payment. If an individual is not eligible for Social Security payments, he/she may elect to pay quarterly premiums directly to the Health Care Financing Administration or have the premiums withheld from his/her Civil Service annuity.

The 2014 Part B monthly premium for most medicare enrollees is $104.90 per month per person.

Beneficiaries who file taxes as "married, filing jointly" with modified adjusted gross income (MAGI) of more than $170,000, and all other taxpayer filing statuses, with MAGI of more than $85,000, pay higher Part B premiums.

2014 Medicare Part B Premiums

Income	Part B Premium
Individual MAGI: < $85,000 Married MAGI: < $170,000	$104.90
Individual MAGI: $85,000 - $107,000 Married MAGI: $170,000 -$214,000	$146.90
Individual MAGI: $107,000 - $160,000 Married MAGI: $214,000 -$320,000	$209.80
Individual MAGI: $160,000 - $214,000 Married MAGI: $320,000 -$428,000	$272.70
Individual MAGI: > $214,000 Married MAGI: > $428,000	$335.70

Deductibles

Medicare Part B pay 80% of Medicare covered expenses after reaching an annual deductible. **The 2014 annual deductible is $147.00**

Medicare Exclusions

Medicare does not cover:

- monthly Part B premium
- deductibles, coinsurance or copayments
- outpatient prescription drugs (with few exceptions)
- custodial care at home or in a nursing home
- most dental care and dentures
- routine foot care
- hearing aids
- routine eye care
- health care while traveling outside of the US
- cosmetic surgery
- some vaccinations
- orthopedic shoes

FEHB and Medicare Coordination

FEHB and Medicare Coordination of Benefits

Generally, FEHB plans help pay for the same kinds of expenses as Medicare. FEHB plans may also provide coverage for:

- prescription drugs
- routine physicals
- emergency care outside of the US
- some preventive care that Medicare does not cover
- Some FEHB plans provide dental / vision coverage

FEHB fee-for-service plans waive most of their deductibles, coinsurance, and copayments for part B enrollees. Medicare and the FEHB fee-for service plans generally combine to provide nearly complete coverage for all expenses.

FEHB and Medicare Coordination

Employment status & Medicare enrollment status	Primary Payer	Secondary Payer
Federal employee, age 65 or older enrolled in Medicare A (or A & B)	FEHB	Medicare
Spouse of Federal employee, age 65 or older, enrolled in Medicare A (or A & B)	FEHB	Medicare
Federal employee under age 65, eligible for Medicare solely on the basis of disability	FEHB	Medicare
Family member of Federal employee, is under age 65, eligible for Medicare solely on the basis of disability	FEHB	Medicare
Retired Federal employee, age 65 or older, enrolled in Medicare A (or A and B)	Medicare	FEHB
Spouse of retired Federal employee, age 65 or older, enrolled in Medicare A (or A and B)	Medicare	FEHB

Medicare Glossary of Terms

Assignment

In the Original Medicare Plan, Assignment is an arrangement where a doctor or supplier agrees to accept the Medicare-approved amount as payment in full for services and supplies covered under Part B. When your doctor accepts assignment, you can be billed only for the difference between the Medicare approved amount and the combined payments made by Medicare and any secondary payer, such as FEHB.

Limiting Charge

The maximum amount doctors and other health care providers who don't accept Medicare assignment can charge for covered services. This limit is 15% over Medicare's approved payment amount.

Medicare Approved Amount

The amount that Medicare determines to be reasonable for a service that is covered under Part B of Medicare. It may be less than the actual charge.

Medicare Enrollment Periods

7-month initial enrollment period:

The initial enrollment period for Medicare is the 7-month period surrounding the 65th birthday. An individual who is receiving Social Security benefits will receive a Medicare enrollment package in the mail approximately three months prior to age 65 explaining **automatic enrollment in Parts A and B**. If the individual does not want to enroll in Part B, he/she must return the Medicare card in the envelope provided to receive a new Medicare card showing Part A coverage only. **An individual who is not receiving Social Security benefits must contact the Social Security Administration to enroll in Medicare.**

General enrollment period: January 1 through March 31.

An individual who enrolls during the general enrollment period will be charged a **late enrollment penalty equal to 10%** of the monthly premium for each 12 month period he/she could have been enrolled, but was not.

Special enrollment period:

An individual who continues to work and is covered by an employer health plan or is covered by a spouse's employer health plan, has a special 8 month enrollment period beginning with the month of retirement or the month that the employer health plan ends to enroll in Medicare - Part B with no penalty.

Part B Premium Savings Program

Mailhandlers Medicare Part B Premium Savings Program

Mailhandlers offers a Medicare Part B Premium Savings Programs which began in 2011 as the "Medicare Sub-Option Plan".

This program permits retirees to enroll in Medicare Part B without bearing the cost of the Medicare premium and avoid the penalty for late enrollment in Medicare Part B if they choose to enroll in the more comprehensive package of Medicare and traditional FEHB at a later age.

Mailhandlers will pay the regular Medicare Part B premium or up to $125.90, whichever is less, per month for those enrolled in the Mailhandlers Medicare Part B Premium Savings Program.

Participants in this program are responsible for the Standard Option deductibles, copayments and coinsurance in addition to the Medicare deductibles.

Additional information on the Mailhandlers Part B Premium Savings Program is available in section 9 of the 2013 Mailhandlers Benefit Plan Brochure. Go to www.opm.gov. Go to: Insurance. Go to:Healthcare: Go to: Plan Information. Click on any state to access Nationwide Fee-For-Service plans. Go to MHBP Standard Nationwide.

FEHB and Medicare Enrollment Options

At age 65 and retired, consider the following possible enrollment options:

- **Continue FEHB coverage and enroll in Medicare Part A - Hospital Insurance**.
  If you elect to enroll in Medicare Part B - Medical Insurance at a later date, you will be subject to the penalty for late enrollment.

- **Continue FEHB coverage and enroll in Medicare Part A - Hospital Insurance and Medicare Part B - Medical Insurance.**
  Search for a less expensive FEHB plan to coordinate with Medicare coverage.
  Go to www.opm.gov. Go to: Insurance. Go to: Healthcare. Go to: Plan Information .
  Go to: Premiums. Search for less expensive health plans and review plan information for coordination with Medicare.

- **Enroll in an FEHB Medicare Part B Premiums Savings Program.**

Medicare Part D - Rx

OPM has determined that the prescription drug coverage offered by plans participating in the FEHB program is, on average, comparable to Medicare Part D prescription drug coverage, thus you do not need to enroll in Medicare Part D and pay extra for prescription drug benefits.

If you decide to enroll in Medicare Part D later, you will not have to pay a penalty for late enrollment as long as you keep your FEHB coverage.

FEHB and Medicare Publications

FEHB Publications

See your **FEHB Plan brochure** for a discussion of coordination of benefits when you have Medicare.

Medicare / FEHB Publications

The Federal Employees Health Benefits Program and Medicare
RI 75-12, November 1999, published by The Retirement and Insurance Group, U.S. Office of Personnel Management. Available via OPM Internet site: (www.opm.gov) or through your Personnel Office.

Checkbook's 2014 Guide to Health Plans for Federal Employees
Washington Consumers' Checkbook. www.checkbook.org. 800-213-7283

Medicare Publications

The following Medicare publications may be obtained from any Social Security office or by writing to:

Medicare Publications
Health Care Financing Administration
6325 Security Boulevard
Baltimore, MD 21207

- The Medicare Handbook
- Medicare Q & A: 85 Commonly Asked Questions
- Guide to Health Insurance for People with Medicare
- Medicare and Coordinated Care Plans
- Medicare Hospice Benefits
- Medicare and Other Health Benefits
- Medicare and Your Physician's Bill

Internet Addresses

Medicare:	http://www.hcfa.gov
Social Security:	http://www.ssa.gov
OPM:	http://www.opm.gov
NARFE:	http://www.narfe.org

Continuation of Federal Employees' Group Life Insurance into Retirement

Value

The value of a retiree's Basic Life Insurance is equal to the employee's salary on date of retirement rounded to the higher thousand, plus two thousand.

Continuation Into Retirement

A retiring employee is eligible to continue Basic Life Insurance into retirement if he/she:

1) Retires on an immediate annuity (annuity commences within 31 days of separation), and
2) Is insured on date of retirement, and
3) Was covered by Basic life insurance for the five years of service immediately preceding retirement or since his/he first opportunity to enroll, and
4) Does not convert to a private policy.

Retirees will pay premiums for Federal Employees' Group Life Insurance in retirement until age 65. Premiums are withheld on a monthly basis.

Premiums

Premiums for Basic Life Insurance: 32.50 cents per month per $ 1000 of Basic life insurance coverage.

See Post-Retirement Basic Life Insurance Reduction Election for additional charges for "50% reduction" or "No reduction" elections.

Post-Retirement Basic Life Insurance Reduction Election

Retiring employees must choose one of the following reductions in basic life insurance:

1) 75% Reduction

The value of the basic life insurance begins to reduce at age 65, or at retirement, if later, at the rate of 2% per month until it reaches 25% of its original value.

Cost : Free

2) 50% Reduction

The value of the Basic life insurance begins to reduce at age 65, or at retirement, if later, at the rate of 1% per month until it reaches 50% of its original value.

Cost: $ 0.64 per month per $ 1000 Basic life insurance coverage on date of retirement. Charge is effective on date of retirement and continues for life.

3) No Reduction

The value of the Basic life insurance does not reduce. Basic life insurance retains its full value forever.

Cost: $ 1.94 per month per $1000 Basic life insurance coverage on date of retirement. Charge is effective on date of retirement and continues for life.

Post-Retirement Life Insurance Premiums and Reduction Election Costs

Reduction Election	Until Age 65	After Age 65
75% Reduction	.325/mo./$1000 (Premium only)	free
50% Reduction	.965/mo./$1000 (Premium & Red.Cost)	.64/mo./$1000 (Red. Cost only)
No Reduction	2.265/mo./$1000 (Premium & Red. Cost)	1.94/mo./$1000 (Red.Cost only)

Post-Retirement Basic Life Insurance Reduction Election

Example

Final salary: $57,500. **Value of Basic Life Insurance: $60,000.**

1) 75% Reduction

At retirement:
- $19.50 monthly premium until age 65
- Retain full $60,000 value

At age 65:
- No premiums
- $60,000 ➔ 2% per month ➔ $15,000

2) 50% Reduction

At retirement:
- $19.50 monthly premium until age 65, plus $38.40 monthly reduction election cost
- Retain full $60,000 value

At age 65:
- No premium
- Continue to pay $38.40 monthly reduction election cost.
- $60,000 ➔ 1% per month ➔ $30,000

3) No Reduction

At retirement:
- $19.50 monthly premium until age 65, plus $116.40 monthly reduction election cost
- Retain full $60,000 insurance coverage

At age 65:
- No premium
- Continue to pay $116.40 monthly reduction election cost
- $60,000 insurance coverage retains full value

Option A - Standard $ 10,000 Additional Coverage

Continuation into Retirement

A retiring employee may continue Option A into retirement if he/she:

1. is eligible to continue Basic Life Insurance into retirement, and.
2. was covered by the option A for the five years of service immediately preceding retirement or since his/her first opportunity to enroll, and
3. is entitled to annuity sufficient to cover the cost of the premiums.

Cost

Retired employees pay premiums for Option A until age 65.

Reductions

The value of Option A - Standard Life Insurance begins to reduce at age 65 or at retirement, if later, at the rate of 2% per month until it reaches 25% of its original value, or $2,500.

Premiums* for Optional Insurance
are based on the age of the retiree

AGE	Monthly rate for $10,000 Option A - LI	Monthly rate for $1,000 Option B - LI	Monthly rate per multiple of Option C - LI
< 35	0.65	0.043	0.48
35 - 39	0.87	0.065	0.63
40 - 44	1.30	0.108	0.91
45 - 49	1.95	0.173	1.37
50 - 54	3.03	0.282	2.04
55 - 59	5.85	0.498	3.29
60 - 64	13.00	1.127	5.85
65 - 69	Free	1.343	6.80
70 - 74	Free	2.470	7.80
75 - 79	Free	3.900	10.40
80 and over	Free	5.200	14.30

These are the 2014 premiums. Premiums may change in future years.

Option B - Additional Multiples of Salary

Option B provides additional insurance in multiples of 1,2,3,4 or 5 times the annual basic pay on date of retirement. The annual basic pay is rounded up to the next thousand.

Continuation into Retirement

A retiring employee may continue Options B into retirement if he/she:

1. is eligible to continue Basic Life Insurance into retirement, and
2. was covered by option B for the five years of service immediately preceding retirement or since his/her first opportunity to enroll,
3. is entitled to annuity sufficient to cover the cost of the premiums.

The retiree may only continue the lowest number of multiples of Option B - Additional Optional Life Insurance he/she has carried in the last five years into retirement.

Retiring employees must elect Full Reduction or No Reduction in Option B Life Insurance. Election is made at time of retirement.

Reduction Elections

Full Reduction

- Retiree continues to pay full premiums for Option B Additional Optional Insurance until age 65.
- The value of Option B begins to reduce at age 65, (or retirement if later) at the rate of 2% per month until coverage terminates.

No Reduction

- Retiree pays premiums for Option B forever.
- Option B Life Insurance retains full value.

Mixed Election

- The retiree may choose “No Reduction” on some multiples of Option B and “Full Reduction” on other multiples of Option B.

Changes

- The retiree may change from “No Reduction” to “Full Reduction” at any time. If an individual age 65 or over changes to Full Reduction, the amount of insurance in force is computed as if he or she had elected Full Reduction initially. There is no refund of premiums.

Option C - Family Life Insurance

Family Life Insurance provides coverage on the spouse and eligible children of the insured. Benefits are available in 1,2,3,4, or 5 multiples of $5,000 if the spouse predeceases the retiree and $ 2,500 if an eligible child predeceases the retiree.

Continuation into Retirement

A retiring employee may continue Option C into retirement if he/she:

1. is eligible to continue Basic Life Insurance into retirement, and
2. was covered by the Option C for the five years of service immediately preceding retirement or since his/her first opportunity to enroll, and
3. is entitled to annuity sufficient to cover the cost of the premiums.

Retiring employees must elect “Full Reduction” or “No Reduction” in Option C - Family Life Insurance. Election is made at time of retirement.

Reduction Elections

Full Reduction

- Retiree continues to pay full premiums for Option C - Family Insurance until age 65.
- The value of Option C begins to reduce at age 65, or retirement if later) at the rate of 2% per month until coverage terminates.

No Reduction

- Retiree pays premiums for Option C forever.
- Option C Life Insurance retains full value.

Mixed Election

- The retiree may choose “No Reduction” on some multiples of Option C and “Full Reduction” on other multiples of Option C.

Changes

- The retiree may change from “No Reduction” to “Full Reduction” at any time. If an individual age 65 or over changes to Full Reduction, the amount of insurance in force is computed as if he or she had elected “Full Reduction” initially. There is no refund of premiums.

FEGLI Life Insurance Options Summary

TYPE OF INSURANCE	WHAT HAPPENS AFTER RETIREMENT	WHAT HAPPENS AT AGE 65?	CHANGES AFTER RETIREMENT
Basic Life Basic Life Reduction: (1) 75% reduction: Free (2) 50% reduction: .64/$1000 LI (3) No reduction: 1.94/$1000 LI	Must pay premiums until age 65 Retiring employee must elect reduction schedule. Withholdings for election begin immediately after retirement.	Reduction depends upon election made at retirement Annuitant continues to pay costs for 50% or no reduction elections.	Can change from "No Reduction" or "50% Reduction" to the "75% Reduction" at any time.
Option A Standard Optional ($10,000)	Must pay premiums until age 65.	Free, but reduces 2% per month to 25%.	Can be canceled.
Option B Additional Optional (1,2,3,4 or 5 times annual salary)	Retiring employee must choose: **Full Reduction:** Pay full premiums until 65. **No Reduction:** Pay full premiums forever.*	No premiums at age 65. Insurance reduces 2% per month to 0. Continue to pay full premiums after age 65. Insurance retains full value. *	Can cancel or change to fewer multiples. Can change from "No Reduction" to "Full Reduction" at any time.*
Option C: Family Insurance 1,2,3,4 or 5 multiples of: $5,000 for spouse $2,500 for child Total - Spouse: $5,000 - $25,000 Total - Children: $2,500 - $12,500.	Retiring employee must choose: **Full Reduction:** Pay full premiums until 65. **No Reduction:** Pay full premiums forever.	No premiums at age 65. Insurance reduces 2% per month to 0.* Continue to pay full premiums after age 65. Insurance retains full value.	Can cancel or change to a fewer number of multiples. Can change from "No Reduction" to "Full Reduction" at any time.*

* If an individual age 65 or over changes to Full Reduction, the amount of insurance in force is computed as if he or she had elected "Full Reduction" initially. There is no refund of premiums.

Long Term Care Insurance

The Long Term Care Security Act, signed into law on September 19, 2000, introduced long term care (LTC) insurance to Federal employees, retirees, members of the uniformed services, and their families.

Long term care insurance helps pay for ongoing care for people who need lengthy or even lifelong assistance with daily living due to an illness, injury, or severe cognitive impairment (such as Alzheimer's disease).

Long Term Care Partners, LLC, administers the long term care insurance programs for the Federal Government and is owned by John Hancock Life and Health Insurance Company.

Open Season 2011

An Open Season for Federal Long Term Care Insurance was held from April 4, 2011 through June 24, 2011. During the Open Season, actively at work employees and their spouses, including same-sex domestic partners of civilian workforce members, who are not currently enrolled will be permitted to apply to the Federal Long Term Care Insurance Program. Non-enrolled annuitants and other qualified relatives can apply for coverage with a full underwriting application during this period, as well as at any other time during the year.

Open seasons for LTC insurance will not be held annually as are Federal health insurance open seasons.

New Employees

Newly hired employees are permitted to enroll in LTC insurance subject to abbreviated underwriting during the first sixty days employment.

Current Eligibility to Enroll (Outside of an Open Season)

All eligible groups described on the following page are permitted to enroll in LTC insurance subject to full underwriting.

Long Term Care Insurance

(Continued)

Eligible Groups
"The Federal Family"

Individuals eligible to apply for this LTC insurance coverage are:

Employees
Federal employees and members of the uniformed services,

Annuitants
Federal retirees, survivor annuitants, individuals receiving compensation from the Department of Labor, retirees of the uniformed services, and retired military reservists at the time they qualify for an annuity,

Spouses of employees and annuitants,

Adult children of employees and annuitants,

Parents, parents-in-law, and stepparents of employees (but not of annuitants),

Same-sex domestic partners of employees and annuitants.

Customized Benefits

Enrollees may customize benefits by selecting the following options:

- daily benefit
- length of policy
- inflation protection

The daily benefit amount multiplied by the length of the policy determines the "pool of money" available for long term care expenses.

Standard Benefits

All plans include the following benefits:

- Up to 100% of the daily benefit allowance for home health care
- Informal care, including care by family members
- Stay-at-home benefit
- 90 calendar day waiting period

Prepackaged Plans

Four pre-packaged plans, which include popular benefits of the long term care insurance program, are available. These include:

- *Plan A:* $150 daily benefit for up to a 2 year period.
  Maximum lifetime benefit = $ 109,500
- *Plan B*: $150 daily benefit for up to a 3 year period.
  Maximum lifetime benefit = $ 164,250
- *Plan C:* $200 daily benefit for up to a 3 year period.
  Maximum lifetime benefit = $ 219,000
- *Plan D*: $200 daily benefit for up to a 5 year period.
  Maximum lifetime benefit = $ 365,000

Premiums

Premiums are based on your age when you apply for the coverage and the benefits chosen.

The enrollee pays 100% of the premium. There is no government contribution toward the LTC insurance premium.

A premium calculator is available at www.ltcfeds.com.

Sample Premiums

Sample bi-weekly premiums for Plan B:

Age at Purchase	4% ACI	5% ACI	FPO
40	$27.23	$40.17	$9.39
50	$42.21	$57.61	$16.11
60	$68.75	$86.40	$30.75
70	$98.88	$114.55	$65.80

Additional Resources

For additional information, see www.LTCFEDS.com or call 1-800-LTC-FEDS (1-800-582-3337) .

Thrift Savings Plan

Plan Overview

Investment Options

Contribution Limits

Withdrawal Options

Thrift Savings Plan (TSP)

Contents

TSP Investment Options

The Thrift Savings Plan (TSP) is a retirement savings plan for Federal employees similar to 401(k) plans offered to private sector employees.

Employees may currently choose among five investment funds:

Government Securities Investment (G) Fund	The G Fund invests exclusively in a non marketable short-term U.S. Treasury security that is specially issued to the TSP. The earnings consist entirely of interest income on the security. The payment of G Fund principal and interest is guaranteed by the U.S. Government. There is no credit risk (risk of non-payment of principal or interest) for the Treasury securities in the G Fund. The G Fund is subject to inflation risk, or the possibility that your G Fund investment will not grow enough to offset the reduction in purchasing power that results from inflation.
Common Stock Index Investment (C) Fund	The C Fund invests in a stock index fund that fully replicates the Standard and Poor's 500 (S&P 500) Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies .The earnings consist primarily of dividend income and gains (or losses) in the price of stocks.
Fixed Income Investment (F) Fund	The F Fund invests in a bond index fund that tracks the Barclays Capital U.S. Aggregate Bond Index. This broad index includes U.S. Government, mortgage-backed, corporate, and foreign government (issued in the U.S.) sectors of the U.S. bond market. The earnings consist of interest income on the securities and gains (or losses) in the value of the securities.
Small Capitalization Stock Index Investment (S) Fund	The S Fund invests in a stock index fund that tracks the Dow Jones U.S. Completion Total Stock Market Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500 Index. The earnings consist of dividend income and gains (or losses) in the price of stocks.
International Stock Index Investment (I) Fund	The I Fund invests in a stock index fund that fully replicates the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index. The earnings consist of gains (or losses) in the price of stocks, dividend income, and change in the relative value of currencies.

Information on each of the investment funds is available on the TSP web site: www.tsp.gov.

Lifecycle Funds - "L" Funds

The TSP introduced "lifecycle funds" in August 2005. Life cycle funds are "target asset allocation funds" containing a mix of investments in the C, S, I, F and G funds based on the date that you will need to use your money (time horizon).

The lifecycle funds for those with the longest time horizons are invested more heavily in stock funds, (C,S and I Funds) which are riskier, but offer the potential for greater growth. The lifecycle funds with shorter time horizons will have a larger portion invested in bonds (F Fund) and Government securities (G Fund) which are less risky. Over time, the assets in each Lifecycle Fund are moved gradually and automatically into less risky investments.

Asset Allocation Targets
as of January 2014

Time Horizon	C Fund	S Fund	I Fund	F Fund	G Fund
L 2050 (2045 or later)	42.6%	18.3%	25.6%	9%	4.5%
L2040 (2035 through 2044)	38.6%	16.3%	21.6%	9.15%	14.35%
L2030 (2025 through 2034)	34.6%	12.6%	19.3%	8.15%	25.35%
L2020 (Now through 2024)	28.05%	8.6%	15.6%	7.15%	40.6%
L Income (Now withdrawing)	12%	3%	5%	6%	74%

TSP Contributions - Tax Treatment

A choice of tax treatments are available for contributions:

Traditional TSP

Traditional (pre-tax) contributions are withheld from pay before the income is taxed. Growth in the account is tax-deferred. Contributions and earnings are taxed when the money is withdrawn.

Roth TSP

Roth (after-tax) contributions are withheld from pay after the income is taxed. Roth contributions are tax-free when withdrawn. Earnings on Roth contributions are tax-free if considered "qualified" by meeting the following Internal Revenue Code (IRC) requirements: 5 years has passed since January 1 of the calendar year that the first Roth contribution was made and the separated employee is at least age 59-1/2, permanently disabled or deceased.

Roth TSP is similar to a Roth 401(k), not a Roth IRA. There are no income limits for Roth contributions.

Traditional TSP and Roth TSP contributions and earnings are maintained as separate balances. Loans, withdrawals and interfund transfers will include proportional amounts from each balance.

Contribution Limit

The total employee contribution to TSP is limited by the IRS Elective Deferral Limit. The 2014 Elective Deferral Limit is $17,500. This limit may increase in future years as indexed to the annual cost-of-living adjustment referred to in Internal Revenue Code.

2014 Elective Deferral Limit

The 2014 IRS Elective Deferral Limit is $17,500.

TSP Contributions

Both CSRS employees and FERS employees may participate in the Thrift Savings Plan, but the government contribution to the account differs for the two groups of Federal employees.

CSRS Employees

CSRS employees may contribute a percentage of basic pay or a specific dollar amount each pay period, up to the IRS elective deferral limit. The 2013 IRS elective deferral limit is $17,500.00. CSRS employees do not receive any agency contributions to the account.

FERS Employees

FERS employees may contribute a percentage of basic pay or a specific dollar amount each pay period to TSP, up to the annual IRS elective deferral limit. The 2014 IRS elective deferral limit is $17,500.00.

The employing agency automatically contributes 1% of the basic pay each pay period to the TSP account for all FERS employees, regardless of employee contribution.

The employing agency matches contributions dollar for dollar on the first 3% that the employee contributes, and 50 cents on the dollar for the next 2% that the employee contributes.

All agency contributions are deposited into Traditional TSP.

TSP Matching Contributions - FERS Employees Only

Percent of Basic Pay Contributed to Your Account

You contribute:	Your agency contributes: Automatic (1%)	Agency Matching:	And the total contribution is:
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
6+%	1%	4%	11+%

Retirement Savings Contributions Credit

You may also claim a Retirement Savings Contributions Credit, based upon your TSP contribution, if your modified adjusted gross income for 2014 is not more than $60,000 if married filing jointly, $45,000 if head of household, or $30,000 if you are single or married filing separately, or a qualifying widow or widower. The amount of the credit is 50%, 20% or 10% of your TSP contribution up to $2,000 ($4,000 if married filing jointly) depending upon your adjusted gross income.

2014 Saver's Credit

Credit Rate	Married Filing Jointly	Head of Household	Single, married filling separately, or qualifying widow(er)
50% of your contribution	AGI not more than $36,000	AGI not more than $27,000	AGI not more than $18,000
20% of your contribution	$36,001 - $39,000	$27,001 - $29,250	$18,001 - $19,500
10% of your contribution	$39,001 - $60,000	$29,251 - $45,000	$19,501 - $30,000
0%	more than $60,000	more than $45,000	more than $30,000

Refer to IRS Form 8880, *Credit for Qualified Retirement Savings Contributions*.

TSP Automatic Enrollment

FERS employees hired after July 31, 2010 are automatically enrolled in TSP and 3% of salary is deducted from pay and deposited into the Traditional TSP account, unless the employee completes an election to change or stop the contribution. Employees may submit a TSP Election Form (TSP-1) to elect TSP contribution amounts and select investment funds and/or designate a portion of contributions as Roth contributions. Contributions and agency matching contributions are effective no later than the first full pay period after the election is received by the agency.

Vesting

Vesting means that you have met the service requirements that entitle you to Agency Automatic (1%) Contributions and their earnings when you leave Federal Service.

FERS and CSRS participants are always vested in their own contributions and earnings on their contributions. FERS participants are always vested in the matching contributions that the agency makes and earnings on those matching contributions. Most FERS employees become vested in their agency matching contributions (1%) after completing three years of federal Service.

TSP Contributions

An employee may elect to contribute to the TSP any whole % of basic pay he or she earns each pay period or a specific whole dollar amount each pay period.

TSP Contribution :

TSP Contribution may be:

- % of pay or
- Whole dollar amount

% of Pay Contribution

If an employee elects a % of pay, and the amount of employee contribution is greater than the resulting pay for the pay period (after required withholding for retirement, health insurance and life insurance premiums and taxes), then the TSP contribution is the resulting pay. (The payroll office may also reduce the contribution by an additional amount not to exceed $20.00. See TSP Bulletin 05-17 dated November 30, 2005).

Whole Dollar Amount Contribution

If an employee elects a whole dollar amount, and the amount elected is greater than the resulting pay for the pay period (after required withholding for retirement, health insurance and life insurance premiums and taxes), then no employee contribution is made to TSP for the pay period. Consequently, the employee receives no agency matching contribution for the pay period.

CAUTION !

To FERS Employees contributing $17,500 to TSP:

FERS employees should keep the annual contribution limit ($17,500 in 2014) in mind when deciding how much to contribute to TSP each pay period. When the annual contribution limit is reached, employee Contributions and Agency Matching contributions are suspended for the remainder of the tax year. To maximize the Agency Matching contributions, determine the maximum contribution per pay period to reach the annual contribution limit at the end of the year. See TSP Fact Sheet ***Annual Limit on Elective Deferrals*** and the calculator provided on the TSP website (www.tsp.gov) to help you select contribution rates which will not exceed the elective deferral limit.

Catch-up Contributions

For TSP Participants Age 50 and Older

"Catch-up Contributions" are supplemental employee contributions that TSP participants who are age 50 or older can make to their TSP accounts. These contributions are in addition to the employee's regular employee contributions and do not count against the IRS elective deferral limit. Catch-up contributions may be made to Traditional (pre-tax) or Roth (after-tax) TSP. The 2014 Catch-up Contribution Limit is $5,500.

Eligibility for Catch-up Contributions

A TSP participant is eligible to make catch-up contributions as long as he or she is:

- At least 50 years old in the year the catch-up contributions are made (age 50 by December 31); and
- Contributing an amount which will result in his or her reaching the elective deferral limit by the end of the year ($17,500 in 2014); and
- Is in pay status; and
- Is not in the 6-month non-contributory period following a financial hardship withdrawal.

Total Contribution Limits

Catch-up contributions are not subject to the IRS elective deferral limits. Total TSP contributions are limited as follows:

Total Annual Contribution Limit

Year	FERS Limit	CSRS Limit	IRS Elective Deferral Limit*	Over 50 Catch-up*	Total
2014	No % Limit	No % Limit	$17,500	$5,500	$23,000

* These amounts may increase to reflect inflation.

Catch-up Contributions

(Continued)

Catch-up Contribution Elections

Elections for catch-up contributions are separate from the employee's election for regular TSP contributions. The employee can make a catch-up contribution election at anytime beginning in the year in which he or she turns age 50.

Employees may submit Form TSP-1-C, Catch-up Contribution Election to Personnel to make TSP catch-up contributions. Some agencies use an electronic version of the form. Check with your agency for guidance.

Catch-up contribution elections are made in terms of whole dollar amounts to be deducted from the employee's basic pay each pay period. Catch-up contributions will continue to be deducted until the earliest of:

- The annual catch-up limit is reached; or
- The calendar year ends; or
- The employee elects to stop the contribution.

NOTE:

The participant must make a new election for catch-up contributions each year.

Termination of Catch-up Contributions

Employees may stop their catch-up contributions at anytime and may restart contributions at any time.

If an employee stops his or her regular TSP contributions or receives a financial hardship withdrawal, the catch-up contribution must also stop.

Catch-up contributions end automatically with the last pay date of the year.

Catch-up Contributions Investment Allocations

Catch-up contributions will be invested in the employee's TSP account based on the most current TSP contribution allocation on file.

Contribution Allocations

Contribution allocation specifies how future contributions will be invested in the TSP Account.

These include:

- employee contributions,
- agency contributions,
- any special pay, incentive pay or bonus pay as a member of the uniformed services,
- money moved into TSP from other retirement plans, and
- TSP loan payments

Contribution allocations may be changed on the TSP website or by using the Thriftline.

Interfund Transfer

An interfund transfer redistributes existing money in the TSP account among the TSP investment funds based upon selected percentages of the total TSP account to be invested in each fund.

If the TSP account contains both Traditional and Roth balances, the interfund transfer will move a proportional amount from each balance into the funds specified.

TSP participants are permitted two interfund transfers per calendar month. After the first two interfund transfers in a month, interfund transfers can only move money into the Government Securities Investment (G) Fund.

Interfund transfers may be made on the TSP website or by using the Thriftline.

Loan Program

General Purpose Loan

You may borrow from your TSP account for general purposes with no documentation. Repayment is required in 1-5 years.

Primary Residence Loan

You may borrow from your TSP account for a primary residence with documentation. Repayment is required in 1-15 years.

Loan Amount

The minimum loan amount is $1,000. The maximum loan amount is $50,000. This is limited to amount of <u>employee's</u> contributions to the TSP account.
If the TSP account maintains both Traditional and Roth TSP balances, the loan will include a proportional amount from each balance.

Interest Charged

Interest is charged at a rate equal to the G fund rate at the time the loan is approved. The rate remains fixed and the interest you pay on the loan goes back into your own account.

Loans are repaid through regular payroll allotments within an agreed upon time.

Repayment

Additional loan payments may be made or the loan can be repaid in full at any time without penalty.

Failure to repay the loan by the time of any separation results in notification to the Internal Revenue Service of the unpaid portion as a distribution subject to income tax and a potential 10% early withdrawal penalty.

Processing Fee

A one-time fee of $50 is deducted from the proceeds of the loan to cover the cost of processing and servicing the loan.

Outstanding Loans at Retirement

If you have an outstanding TSP loan at the time of your separation, the TSP Service Office will notify you about repaying the loan.

If the loan is not paid in full, a taxable loan distribution will be declared. IRS will consider the unpaid balance of your loan to be taxable income. Roth Contributions and qualified Roth earnings will not be subject to tax.

If you retire before the year in which you become age 55, a 10% early withdrawal penalty will be charged on the taxable distribution.

You may roll over (within 60 days) any or all of the taxable amount into a traditional IRA or an eligible employer plan using your personal funds and avoid taxes and penalties on that amount.

TSP Withdrawal Options Upon Separation

Withdrawal Options

There are three basic withdrawal options available to separated TSP participants. The TSP account can be distributed in any combination of the following options:

- A single payment;
- A series of monthly payments; or
- A life annuity purchased from an insurance company selected by the Thrift Board.

If the account contains both Traditional (non-Roth) and Roth balances, withdrawals will be paid proportionally from each balance.

Defer Receipt of Payment

A separated participant can **defer receipt of payment and leave the entire account balance in the TSP**, subject to the required **IRS minimum distribution** at age 70 and 1/2.

The separated participant can continue to transfer the account among the investment funds and may elect any of the withdrawal options at a later date.

The TSP Service Office notifies the separated participant when approaching this minimum distribution date.

No Penalty After Retirement At Age 55 or Older

No Penalty if:

If an employee separates or retires in the year in which he/she reaches age 55 or later, there is no early withdrawal penalty tax.

Early Withdrawal Penalty

If an employee separates or retires before the year in which he/she reaches age 55, a **10% early withdrawal penalty tax** will apply to all amounts received before age 59-1/2.

The early withdrawal penalty tax does not apply to annuity payments, payments made because of death, or payments made to participants who retire on disability retirement.

The early withdrawal penalty does not apply to monthly installment payments based upon life expectancy. If the separated participant later elects a final single payment, either before becoming age 59-1/2 or within five years of the date of the first payment, whichever is later, the early withdrawal penalty tax will apply to all payments received before age 59-1/2.

Partial Withdrawal

A separated employee can make a one-time-only withdrawal of part of the TSP account and leave the rest in TSP until a later date. If the TSP accounts maintains both traditional (non-Roth) and Roth balances, withdrawals will be paid proportionately from each balance.

The partial withdrawal cannot be less than $1,000.00.

An employee who made an age-based (59-1/2 or older) in-service withdrawal is not eligible for a partial withdrawal.

All or any part of the partial withdrawal payment may be transferred to an IRAs or an eligible employer plans.

- If the TSP account maintains only one type of balance (traditional or Roth) the transfer may be made to only one IRA account or eligible employer plan.
- If the account maintains both traditional (non-Roth) and Roth balances, all or part of the transfer of the traditional (non-Roth) portion may be directed to one IRA or plan, and all or part of the Roth portion may be directed to either another IRA account or eligible plan or to the same IRA account or plan.
- Payments of traditional TSP that are not transferred directly to a traditional IRA or eligible employer plan are subject to a mandatory 20% Federal income tax withholding.

TSP Withdrawal Goals

How do you plan to use your TSP account to supplement your retirement Income?

See TSP.gov. Retirement Income Calculator:
"Examples of possible monthly retirement choices".

What are your TSP withdrawal goals?

- Steady income
- Inflation protection
- Lifetime income
- Survivor benefits
- Short-term goals
- Income gaps

Single Payment

A separated participant may elect to withdraw the entire TSP account balance in a single payment. The payment can be made directly to the separated participant or all or part of the account balance can be transferred directly to an IRA or other eligible retirement plan. If the TSP accounts maintains both traditional (non-Roth) and Roth balances, withdrawals will be paid proportionally from each balance.

Payment of traditional (non-Roth) TSP made directly to a separated participant = mandatory 20% Federal income tax withholding

The distribution of the account balance of traditional (non-Roth) TSP **directly to the separated participant** in a single payment is subject to **20% Federal income tax withholding**, which cannot be waived. There is no Federal income tax withholding on payment(s) that the TSP transfers directly to an IRA or other eligible retirement plan.

Transfer to IRA or other eligible Retirement Plan

The separated participant may elect to transfer all or part of the account balance to an IRA or other eligible retirement plan.

- Tax-deferred amounts transferred will not be subject to taxation until withdrawal.
- All stipulations of the new IRA or pension plan apply upon withdrawal.
- The transfer of one type of TSP balance (traditional or Roth) can only be made to **one** IRA account or other eligible plan. If the account maintains both traditional (non-Roth) and Roth balances, all or part of the transfer of the traditional (non-Roth) portion may be directed to one IRA or plan, and all or part of the Roth portion my be directed to either another IRA account or eligible plan or to the same IRA account or plan.

TSP Withdrawal Request Forms: TSP Form 70

To request a withdrawal, complete TSP Form 70, indicating single payment or series of monthly payments and transfer instructions, if applicable. Both you and your financial institution must complete the TSP Form 70 if you desire to transfer funds to IRAs or an eligible employer plans. ***TSP cannot accept forms provided by the financial institution.***

Series of Monthly Payments

Monthly Installments

A separated participant may elect to receive the total of his/her account paid out in substantially equal installments based upon:

- Specific dollar amount, or
- Life expectancy (The participant can instruct the Thrift Board to calculate payments based on IRS life expectancy tables.)

TSP Online Monthly Payments Calculator:

You may estimate the number of payments that you will receive and the length of time it will take to deplete the account at a specified monthly payment and an assumed rate of return.

TSP Monthly Payments Calculator (www.tsp.gov)	
Choose how you would like your monthly payments made; then press the ENTER button. ◉ **for a specific dollar amount or** ○ Based on your life expectancy	
Enter the amount that will be used for monthly payments:	**$ 100,000**
What amount would you like to receive each month?	**$ 500**
Indicate the rate you expect your TSP account to grow:	**$ 5%**

CALCULATE

You can expect to receive the following number of payments:	**431**
Which will deplete your account in:	**35 years, 11 months**

Series of Monthly Payments
(Continued)

The separated participant can continue to transfer the balance of the account among the TSP investment funds while receiving monthly payments.

Permissible Changes

TSP-computed life expectancy payments can be changed to fixed dollar amount payments one time.

The amount of monthly fixed dollar payments can be changed once a year.

The monthly payments can be changed to a final single payment.

The proportion of the rollover eligible payment that is transferred to an IRA or other retirement plan may be changed. This change is only permissible if, when the payments began, they were expected to last less than 10 years and were not based on IRS life expectancy tables.

The IRA or other eligible retirement plan to which payments are sent may be changed.

Tax Treatment of Monthly Payments

Eligible Rollover Distributions

Monthly payments which are expected to be made for less than ten years are treated as eligible rollover distributions.

If you choose to receive payments based upon a specific dollar amount, the TSP will divide your account balance at the time the payments begin by the dollar amount that you choose. If the result is less than 120, payments are treated as eligible rollover distribution which can be transferred to an IRA or other retirement plan. If the result is 120 or more, the payments will be treated at periodic payments, which cannot be transferred to an IRA.

Transfer to IRA or other eligible Retirement Plan

There is no Federal income tax withholding on payment(s) that the TSP transfers directly to an IRA or other eligible retirement plan.

Mandatory 20% Federal Income Tax Withholding

The payment of traditional (non-Roth) rollover eligible distributions directly to the separated participant is subject to 20% Federal income tax withholding, which cannot be waived. Tax withholding may be increased by completing the withholding section of Form TSP-78.

Periodic Payments

Monthly payments expected to be made for 10 or more years or which are calculated based on life expectancy are periodic payments.

Federal income tax is withheld from periodic payments based upon tax withholding selected on Form TSP-78. If the tax withholding is not selected, withholdings are based upon the assumption that you are married claiming three withholding allowances

Monthly Payments Versus Annuity

Monthly Payments	TSP Annuity
You own the account.	Met-Life owns the account.
You control investments. You may make interfund transfers twice per month.	Annuity rate is fixed based upon interest rate factor on date of purchase.
Account may increase or decrease in value.	Annuity is guaranteed for life.
You may change payments based on life expectancy to a monthly dollar payment.	No changes are permitted.
You may change the amount of the month dollar payment yearly.	A variety of annuity options are available including inflation protection and survivor benefits.
You may transfer the balance of the account to an IRA.	
The balance of the account is paid to survivors upon death.	

TSP Retirement Income Calculator:

You may compare TSP monthly payments and life annuities using the Retirement Income Calculator available on www.tsp.gov.

TSP home page -> Planning & Tools -> Calculators -> Retirement Income Calculator.

Example

The benefit amounts shown on the tables on the following pages are based upon the entries shown below and reflect a 2.875% annuity interest rate index effective in April 2014.

Retirement Income:	
Amount used for monthly income:	$100,000.00
Length of Retirement Planned	
Your current age:	56
Age you expect to begin receiving income from the TSP:	56
Age to which you expect to live:	100
Month of your birth:	June
Monthly Income Amount	
Income amount you would like to receive each month:	$500.00
Assumed annual earnings rate (the rate you expect your savings to grow):	5%
Joint Life Dependent Options:	
In the event of your death, is there someone who will be dependent on your TSP monthly income?	**No**

Monthly Benefits and Single Life Annuity

The following benefit amounts are provided in table format and in chart format:

1. level monthly payments,
2. monthly payments based on life expectancy,
3. life annuity based upon current interest rate factor.

TSP Retirement Income Calculator
Monthly Benefits and Single Life Annuity

Example # 1: $500 Monthly Payment Versus $461 Monthly Annuity Payment
(5% annual earnings rate) (2.875% annuity interest rate index)

Age	Monthly Payment				Single Annuity
	Fixed Dollar		Life Expectancy		Level Pmts
	Payment	Year-End Balance	Payment	Year-End Balance	(Basic)
56	$500.00	$98,951.19	$290.36	$101,536.05	$461.00
57	$500.00	$97,848.72	$303.27	$102,991.49	$461.00
↓	↓		↓		↓
73	$500.00	$70,172.30	$370.96	$111,004.28	$461.00
74	$500.00	$67,597.45	$388.67	$111,891.15	$461.00
75	$500.00	$64,890.85	$407.17	$112,595.32	$461.00
76	$500.00	$62,045.79	$426.50	$113,097.16	$461.00
77	$500.00	$59,055.16	$444.56	$113,402.00	$461.00
78	$500.00	$55,911.53	$465.53	$113,463.86	$461.00
79	$500.00	$52,607.06	$484.89	$113,290.21	$461.00
80	$500.00	$49,133.52	$504.86	$112,861.43	$461.00
81	$500.00	$45,482.27	$525.43	$112,157.08	$461.00
82	$500.00	$41,644.22	$546.57	$111,156.03	$461.00
83	$500.00	$37,609.80	$568.28	$109,836.07	$461.00
84	$500.00	$33,368.97	$590.52	$108,174.37	$461.00
85	$500.00	$28,911.17	$609.09	$106,198.70	$461.00
86	$500.00	$24,225.31	$627.65	$103,893.09	$461.00
87	$500.00	$19,299.72	$646.10	$101,242.03	$461.00
88	$500.00	$14,122.12	$664.32	$98,230.69	$461.00
89	$500.00	$8,679.65	$682.16	$94,845.32	$461.00
90	$500.00	$2,958.70	$693.31	$91,149.27	$461.00
91	$500.00	$0.00	$703.31	$87,140.82	$461.00
92	$0.00	$0.00	$711.93	$82,820.99	$461.00
		$0.00	$718.93	$78,193.85	$461.00
		$0.00	$716.06	$73,365.36	$461.00
		$0.00	$710.90	$68,353.46	$461.00
96	$0.00	$0.00	$703.22	$63,179.84	$461.00
97	$0.00	$0.00	$692.76	$57,870.50	$461.00
98	$0.00	$0.00	$679.23	$52,456.33	$461.00
99	$0.00	$0.00	$652.44	$47,095.50	$461.00
100	$0.00	$0.00	$622.96	$41,823.91	$461.00

Account depleted

$461 paid for life

TSP Retirement Income Calculator
Monthly Benefits and Single Life Annuity

Example # 2: $461 Monthly Payment Versus $461 Monthly Annuity Payment
(5% annual earnings rate) (2.875% annuity interest rate index)

Age	Monthly Payment				Single Annuity
	Fixed Dollar		Life Expectancy		Level Pmts
	Payment	Year-End Balance	Payment	Year-End Balance	(Basic)
56	$461.00	$99,432.05	$290.36	$101,536.05	$461.00
57	$461.00	$98,835.04	$303.27	$102,991.49	$461.00
↓	↓		↓		↓
73	$461.00	$83,847.85	$370.96	$111,004.28	$461.00
74	$461.00	$82,453.53	$388.67	$111,891.15	$461.00
75	$461.00	$80,987.88	$407.17	$112,595.32	$461.00
76	$461.00	$79,447.22	$426.50	$113,097.16	$461.00
77	$461.00	$77,827.76	$444.56	$113,402.00	$461.00
78	$461.00	$76,125.44	$465.53	$113,463.86	$461.00
79	$461.00	$74,336.02	$484.89	$113,290.21	$461.00
80	$461.00	$72,455.03	$504.86	$112,861.43	$461.00
81	$461.00	$70,477.83	$525.43	$112,157.08	$461.00
82	$461.00	$68,399.47	$546.57	$111,156.03	$461.00
83	$461.00	$66,214.77	$568.28	$109,836.07	$461.00
84	$461.00	$63,918.30	$590.52	$108,174.37	$461.00
85	$461.00	$61,504.36	$609.09	$106,198.70	$461.00
86	$461.00	$58,966.91	$627.65	$103,893.09	$461.00
87	$461.00	$56,299.63	$646.10	$101,242.03	$461.00
88	$461.00	$53,495.87	$664.32	$98,230.69	$461.00
89	$461.00	$50,548.70	$682.16	$94,845.32	$461.00
90	$461.00	$47,450.75	$693.31	$91,149.27	$461.00
91	$461.00	$44,194.29	$703.31	$87,140.82	$461.00
92	$461.00	$40,771.22	$711.93	$82,820.99	$461.00
[illegible]	[illegible]	$37,173.01	[illegible]	$78,193.85	[illegible]
[illegible]	[illegible]	$33,390.72	[illegible]	$73,365.36	[illegible]
[illegible]	[illegible]	$29,414.92	[illegible]	$68,353.46	[illegible]
[illegible]	[illegible]	$25,235.69	[illegible]	$63,179.84	[illegible]
97	$461.00	$20,842.67	$692.76	$57,870.50	$461.00
98	$461.00	$16,224.87	$679.23	$52,456.33	$461.00
99	$461.00	$11,370.83	$652.44	$47,095.50	$461.00
100	$461.00	$6,268.46	$622.96	$41,823.91	$461.00

Dies at 92: $40,771 paid to survivors

Dies at 92: $82,820 paid to survivors

Dies at 92: Nothing paid to survivors

TSP Annuity Options

A separated participant may elect to have the TSP use all or part of the account balance to purchase an annuity from the TSP annuity provider. The balance of the account applied to the annuity option must equal at least $3,500. The current TSP annuity provider is Metropolitan Life Insurance Company (Met Life), a major national insurance company competitively chosen by the Thrift Retirement Investment Board. When an annuity is purchased with the entire TSP account, the TSP account is closed. All further communications regarding the TSP annuity will be with the annuity provider. Five types of TSP annuities are provided.

1. Single Life Annuity Level Payment	The retiree may elect to receive equal monthly payments for life. Benefits may end on death of the retiree or cash refund* or 10-year certain payout **may be elected.
2. Single Life Annuity Increasing Payment	The retiree may elect to receive monthly payments which increase yearly. The increase is based upon the increase in the consumer price index, but cannot exceed 3 percent per year. Monthly checks are initially lower, then increase over time to help keep up with inflation. Cash refund* or 10-year certain payout** may be elected.
3. Joint and Surviving Spouse Annuity Level Payment	The retiree may elect to receive equal monthly payments for life plus a monthly benefit payable to the surviving spouse in the event of the retiree's death. Cash refund* may be elected.
4. Joint and Surviving Spouse Annuity Increasing Payment	The retiree may elect to receive monthly payments which increase yearly plus a monthly benefit payable to the surviving spouse in the event of the retiree's death. The increase is based upon the increase in the consumer price index, but cannot exceed 3 percent per year. Cash refund* may be elected.
5. Joint and Other Survivor Annuity Level Payment	The retiree may elect to receive equal monthly payments for life plus a monthly benefit payable to a person with an insurable interest or to a former spouse. Cash refund* may be elected.

TSP Annuity Options

*** Cash refund feature**

The amount of the account balance used to purchase the annuity is guaranteed. If the retiree (and for a joint annuity, also the elected survivor) die before receiving payments equal to the amount of the account balance used to purchase the annuity, a designated beneficiary will receive a cash refund of the difference.

**** Ten-year certain payout**

If the retiree dies within ten years after the start of the annuity, a designated beneficiary receives the payments, but with no further provision for payments to a beneficiary upon his/her death. This feature may only be selected if you are purchasing a single life annuity.

TSP Retirement Income Calculator
TSP Annuity Options

TSP Retirement Income Calculator:

You may compare TSP annuity survivor benefit options using the Retirement Income Calculator available on www.tsp.gov.

TSP home page -> Planning & Tools -> Calculators -> Retirement Income Calculator.

Example # 3: Level Payment Annuity Versus Increasing Payment
(Based on $100,000 TSP account and 2.875% annuity interest rate index)

	Level Payments			Increasing Payments		
Age	Basic Features	w/ Cash Refund	w/ 10 Year Certain	Basic Features	w/ Cash Refund	w/ 10 Year Certain
56	$461.00	$443.00	$460.00	$295.00	$277.00	$293.00
57	$461.00	$443.00	$460.00	$304.00	$285.00	$302.00
58	$461.00	$443.00	$460.00	$313.00	$294.00	$311.00
[illegible]	[illegible]	[illegible]	$460.00	$3[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	$460.00	$3[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	$460.00	$3[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	$460.00	$3[illegible]	[illegible]	[illegible]
63	$461.00	$443.00	$460.00	$3[illegible]	[illegible]	[illegible]
64	$461.00	$443.00	$460.00	$37[illegible]	[illegible]	[illegible]
65	$461.00	$443.00	$460.00	$385.00	$362.00	$383.00
66	$461.00	$443.00	$460.00	$396.00	$372.00	$394.00
67	$461.00	$443.00	$460.00	$408.00	$384.00	$406.00
68	$461.00	$443.00	$460.00	$420.00	$395.00	$418.00
69	$461.00	$443.00	$460.00	$433.00	$407.00	$431.00
70	$461.00	$443.00	$460.00	$446.00	$419.00	$444.00
71	$461.00	$443.00	$460.00	$459.00	$432.00	$457.00
72	$461.00	$443.00	$460.00	$473.00	$445.00	$471.00
73	$461.00	$443.00	$460.00	$487.00	$458.00	$485.00
74	$461.00	$443.00	$460.00	$502.00	$472.00	$500.00
75	$461.00	$443.00	$460.00	$517.00	$486.00	$515.00
76	$461.00	$443.00	$460.00	$532.00	$500.00	$530.00
77	$461.00	$443.00	$460.00	$548.00	$515.00	$546.00
78	$461.00	$443.00	$460.00	$565.00	$531.00	$562.00
99	$461.00	$443.00	$460.00	$1,050.00	$988.00	$1,046.00
100	$461.00	$443.00	$460.00	$1,082.00	$1,017.00	$1,077.00

Level Payments:
Monthly annuity payment remains the same from year to year.

Increasing Payments:
Lower initial monthly payment. Payment can increase each year based upon inflation. Increase = increase in CPI but cannot exceed 3%.

Example # 4: Annuity with Survivor: Level Payments vs. Increasing Payments
(Based on $100,000 TSP account and 2.875% annuity interest rate index)

Age	Level Payments				Increasing Payments			
	100% Survivor	50% Survivor	100% Survivor w/Cash	50% Survivor w/Cash	100% Survivor	50% Survivor	100% Survivor w/Cash	50% Survivor w/Cash
56	$400.00	$463.00	$396.00	$454.00	$238.00	$291.00	$236.00	$283.00
57	$400.00	$463.00	$396.00	$454.00	$245.00	$300.00	$243.00	$292.00
58	$400.00	$463.00	$396.00	$454.00	$252.00	$309.00	$250.00	$300.00
59	$400.00	$463.00	$396.00	$454.00	$260.00	$319.00	$257.00	$309.00
60	$400.00	$463.00	$396.00	$454.00	$267.00	$328.00	$265.00	$319.00
61	$400.00	$463.00	$396.00	$454.00	$275.00	$338.00	$273.00	$328.00
62	$400.00	$463.00					$281.00	$338.00
63	$400.00	$463.00					$290.00	$348.00
64	$400.00	$463.00	$396.00	$454.00	$301.00	$369.00	$298.00	$359.00
65	$400.00	$463.00	$396.00	$454.00	$310.00	$380.00	$307.00	$369.00
66	$400.00	$463.00	$396.00	$454.00	$319.00	$392.00	$317.00	$381.00
67	$400.00	$463.00	$396.00	$454.00	$329.00	$403.00	$326.00	$392.00
68	$400.00	$463.00	$396.00	$454.00	$339.00	$416.00	$336.00	$404.00
69	$400.00	$463.00	$396.00	$454.00	$349.00	$428.00	$346.00	$416.00
70	$400.00	$463.00	$396.00	$454.00	$359.00	$441.00	$356.00	$428.00
71	$400.00	$463.00	$396.00	$454.00	$370.00	$454.00	$367.00	$441.00
72	$400.00	$463.00	$396.00	$454.00	$381.00	$468.00	$378.00	$454.00
73	$400.00	$463.00	$396.00	$454.00	$393.00	$482.00	$389.00	$468.00
74	$400.00	$463.00	$396.00	$454.00	$404.00	$496.00	$401.00	$482.00
75	$400.00	$463.00	$396.00	$454.00	$417.00	$511.00	$413.00	$496.00
76	$400.00	$463.00	$396.00	$454.00	$429.00	$526.00	$425.00	$511.00
77	$400.00	$463.00	$396.00	$454.00	$442.00	$542.00	$438.00	$527.00
78	$400.00	$463.00	$396.00	$454.00	$455.00	$558.00	$451.00	$543.00
79	$400.00	$463.00	$396.00	$454.00	$469.00	$575.00	$465.00	$559.00
80	$400.00	$463.00	$396.00	$454.00	$483.00	$593.00	$479.00	$576.00
99	$400.00	$463.00	$396.00	$454.00	$847.00	$1,039.00	$840.00	$1,009.00
100	$400.00	$463.00	$396.00	$454.00	$872.00	$1,070.00	$865.00	$1,040.00

Survivor Benefit Options

TSP Annuity Estimates

Annuity Calculator : www.tsp.gov		
Example: Age 56 $100,000 Account	**DELAY WITHDRAWAL**	**Example: Age 61 $128,335 Account**
Single life annuity w/ level payment No cash refund feature 2.875% interest rate index tsp.gov - Annuity Calculator: annuity = $461/ month	**Add 5% Growth for 5 years:** $100,000 = $128,335	Single life annuity w/ level payment No cash refund feature 2.875% interest rate index tsp.gov - Annuity Calculator: annuity = $667/ month

The annuity is based upon the interest rate index in effect on the date of annuity purchase. This example reflects the 2.875% annuity interest rate index effective in April 2014.

Projecting the TSP Account

The amount of your future TSP account depends on how much is in your account now, future contributions and growth.

TSP Online Calculator: You may project your account in one year increments using any rate of return using the calculator function on the TSP Web site,http://www.tsp.gov.

Manual Calculations: Use the table below to estimate your future TSP account balance. You must select an annual rate of return of 4% or 7% or 10% and time frames must be in five year increments.

	Growth of Existing Account (Multiply by Current Account Balance)							
Annual Rate of Return (Compounded Monthly)	Years Until Your Withdraw Your Account							
	5	10	15	20	25	30	35	40
4%	1.22	1.49	1.82	2.22	2.71	3.31	4.05	4.94
7%	1.42	2.01	2.85	4.04	5.73	8.12	11.51	16.31
10%	1.65	2.71	4.45	7.33	12.06	19.84	32.64	53.7

Death Benefits

Order of Precedence

Upon the death of a TSP participant, the balance of the TSP account will be paid in the following order:

- to the Designated Beneficiary,
- If none, to the widow or widower,
- If none, to the child or children,
- If none, to the parents,
- If none, to the executor or administrator of the estate,
- If none, to the next of kin.

Designation of Beneficiary

The TSP Designation of Beneficiary allows participants to choose one or more beneficiaries and to designate one or more contingent beneficiaries in case the first beneficiary predeceases the TSP participant. A beneficiary can be any person, corporation, trust or legal entity or an estate.

TSP participants can download the Designation of Beneficiary Form TSP- 3 from the Forms & Publications section of the TSP Web site or obtain it from their personnel office.

To Change Designation of Beneficiary

To cancel or change beneficiary designations, or to make changes to the information on the form, TSP participants may submit a new Designation of Beneficiary to the TSP. A properly completed and submitted Designation of Beneficiary will automatically cancel previous designations.

Death Benefits

Notification of Death of TSP Participant

Upon the death of a TSP participant, the survivor must submit Form TSP-7, Information Relating to Deceased Participant, to the TSP, along with a copy of the participant's certified death certificate. Form TSP-7 can be downloaded and printed from the TSP Web site, under Forms & Publications. TSP will mail information about receiving benefits to the beneficiaries.

Payments to a Spouse

If the beneficiary of the TSP account is the surviving spouse of the deceased participant, TSP will establish a "beneficiary account" and provide information on how the account is invested and withdrawal options. Surviving spouses are offered the same basic withdrawal options as those available to retired employees.

Payments made to the surviving spouse of a TSP participant can be paid directly to the spouse or it can be transferred directly into the spouse's IRA or eligible employee plan, including the spouse's own TSP account, provided the spouse is not receiving monthly payments from that account.

Payments to Non-Spouse Beneficiaries

Payments made to beneficiaries other than the TSP participant's spouse can be paid directly to the beneficiary or it can be transferred directly into an "inherited" IRA.

Inherited IRAs may provide significant tax benefits, because the required distributions from the IRA can generally be spread across the lifetime of the beneficiary.

The inherited IRA must be specifically established for the purpose of transferring money from a plan such as TSP.

Spouses' Rights

FERS Participants:

The spouse of a **FERS participant** is entitled, by law, to a survivor annuity based upon the TSP account. This annuity is a joint life annuity, with a 50% survivor benefit, level payments, and no cash refund feature. The spouse of a FERS participant must sign a statement waiving his/her right to the required annuity for the separated FERS participant to elect any other payment option.

CSRS Participants:

The spouse of a **CSRS participant** will be notified if the participant elects a full withdrawal or a partial withdrawal of the TSP account, regardless of the account balance or the amount of the withdrawal.

TSP Publications

While there are numerous TSP publications available on www.tsp.gov, the following publications are of particular interest to separating employees. Please refer to these publications before making any withdrawal election.

Withdrawing Your TSP Account After Leaving Federal Service (March 2014)

Tax Notice: Tax Information: Monthly Payments (October 2012)

Tax Notice: Tax Information: Payments From Your TSP Account (February 2014)

Tax Notice: Required Minimum Distributions (June 2013)

Booklet: Death Benefits (July 2013)

Tax Notice: Tax Information: Death Benefit Payments (November 2013)

Social Security Benefits

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Contents

Social Security Contributions

Social Security Programs:

Social Security is made up of four programs: Old Age (Retirement) Insurance, Survivors Insurance, Disability Insurance and Medicare. Social Security is designed to provide partial replacement of earnings lost or reduced due to retirement, disability or death of the wage earner.

Social Security Contributions (Social Security Tax):

Employees covered by Social Security currently contribute 6.2% of wages to Social Security up to a maximum taxable amount (MTA) which can increase annually. The 2014 MTA is $117,000. Employees who earn more than the MTA do not pay Social Security contributions on earnings above the MTA.

All employees contribute 1.45% of all wages to Medicare. There is no maximum taxable amount (MTA) on earnings for Medicare contribution.

2014 Contribution Rates:

Old Age (Retirement), Survivors & Disability Insurance

2014	=	6.2%
Maximum Taxable Amount (MTA)	=	**$117,000**
Medicare	=	1.45%

No Maximum Taxable Amount for Medicare

Social Security Eligibility

Required Credits (Quarters of Coverage)

To qualify for Social Security retirement benefits you must be "fully insured," having earned at least the minimum number of credits based on your year of birth. If born before 1929, the number of credits required is equal to your year of birth plus 11. Anyone born 1929 or later must have 40 credits to qualify for benefits for retirement benefits.

Required Credits

Born before 1929: Credits required = YOB + 11

Born 1929 or later: Credits required = 40

Earning Credits of Coverage (previously Quarters of Coverage - QCs):

Prior to 1978, one quarter of coverage was earned for each calendar quarter in which the employee earned $50 subject to Social Security. Beginning in 1978, employees earned one credit of coverage for every $250 earned subject to Social Security, regardless of the calendar quarters of the year. This dollar figure changes annually. In 2014, employees **earn one credit of coverage for each $1,200 in covered annual earnings, up to a maximum of four credits in a calendar year. If an employee earns $ 4,800 in January of 2014, he or she earns four credits of coverage.** The dollar amount used to determine credits of coverage earned is established yearly.

Earning Credits

In 2014: 1 Credit is granted for each $1,200 earned up to a maximum of 4 credits in a calendar year.

Before 1978: 1 Credit is granted for each calendar quarter in which employee earned $50.

Amount of the Social Security Benefit

The dollar amount of the Social Security Benefit (for Federal Employees) is based upon:

1. A.I.M.E.
2. The number of years of substantial earnings under Social Security
3. Age at retirement

Average Indexed Monthly Earnings - AIME

The Social Security benefit is based upon lifetime earnings. The highest 35 years of earnings (subject to Social Security taxes) are indexed to inflation, totalled and then averaged over the 35 year period. This figure is then divided by 12 to produce the **average indexed monthly earnings (AIME)** over the entire career - 35 years. If there are fewer than 35 years of Social Security earnings, Social Security will add zero dollar ($0) earning years to reach the 35 years.

A.I.M.E.
Average
Indexed
Monthly
Earnings

Primary Insurance Amount - PIA

The Social Security benefit payable at Normal Retirement Age (65 - 67) is called the **Primary Insurance Amount (PIA)**. The Primary Insurance Amount is based on the AIME (Average Indexed Monthly Earnings).

Primary Insurance Amount (full benefit formula)

For workers who are age 62 in 2014:

90% of the first $ 816 * of the AIME
\+ 32% of AIME between $ 816 and $ 4,917*
\+ 15% of AIME over $ 4,917
= PIA = Retirement Benefit at age Full Retirement Age (FRA).

** These amounts are based on the increase or decrease in average wages and change every year.*

Calculating the AIME: Past Social Security Earnings

(Worker attains age 62, dies, or becomes disabled in 2014 or later)

	A	B	C	D	E	F
Year	Maximum Taxable Amount	Enter Taxable Earnings	Index Factor	= Indexed Earnings	Substantial Earnings (WEP)	√ Sub. Earnings
1960	$ 4,800		11.06		$ 1,200	
1961	$ 4,800		10.85		$ 1,200	
1962	$ 4,800		10.33		$ 1,200	
1963	$ 4,800		10.08		$ 1,200	
1964	$ 4,800		9.69		$ 1,200	
1965	$ 4,800		9.51		$ 1,200	
1966	$ 6,600		8.97		$ 1,650	
1967	$ 6,600		8.50		$ 1,650	
1968	$ 7,800		7.95		$ 1,950	
1969	$ 7,800		7.52		$ 1,950	
1970	$ 7,800		7.16		$ 1,950	
1971	$ 7,800		6.82		$ 1,950	
1972	$ 9,000		6.21		$ 2,250	
1973	$ 10,800		5.85		$ 2,700	
1974	$ 13,200		5.52		$ 3,300	
1975	$ 14,100		5.14		$ 3,525	
1976	$ 15,300		4.80		$ 3,825	
1977	$ 16,500		4.53		$ 4,125	
1978	$ 17,700		4.20		$ 4,425	
1979	$ 22,900		3.86		$ 4,725	
1980	$ 25,900		3.54		$ 5,100	
1981	$ 29,700		3.22		$ 5,550	
1982	$ 32,400		3.05		$ 6,075	
1983	$ 35,700		2.91		$ 6,675	
1984	$ 37,800		2.75		$ 7,050	
1985	$ 39,600		2.63		$ 7,425	
1986	$ 42,000		2.56		$ 7,875	
1987	$ 43,800		2.41		$ 8,175	
1988	$ 45,000		2.29		$ 8,400	
1989	$ 48,000		2.21		$ 8,880	
1990	$ 51,300		2.11		$ 9,525	
1991	$ 53,400		2.03		$ 9,900	
1992	$ 55,500		1.93		$ 10,350	
1993	$ 57,600		1.92		$ 10,725	
1994	$ 60,600		1.87		$ 11,250	
1995	$ 61,200		1.79		$ 11,325	
1996	$ 62,700		1.71		$ 11,625	
1997	$ 65,400		1.62		$ 12,150	
1998	$ 68,400		1.54		$ 12,675	
1999	$72,600		1.45		$ 13,425	
2000	$76,200		1.38		$ 14,175	
2001	$80,400		1.35		$ 14,925	
2002	$84,900		1.33		$ 15,750	
2003	$87,000		1.30		$ 16,125	
2004	$87,900		1.24		$ 16,275	
2005	$90,000		1.19		$16,725	
2006	$94,200		1.15		$17,475	
2007	$97,500		1.10		$18,150	
2008	$102,000		1.07		$18,975	
2009	$106,800		1.09		$19,800	
2010	$106,800		1.06		$19,800	
2011	$106,800		1.03		$19,800	
2012	$110,100		1.00		$20,475	
2013	$113,700		1.00		$21,075	
		Total Indexed Earnings		$	# yrs.Sub. √	

Examples: **Primary Insurance Amount**

Example 1: **AIME= $500 w/o WEP**

	90% of the first $816 of the AIME	=	$450
+	32% of AIME between $816 and $4,917	=	$0
+	15% of AIME over $4,917		
		=	**$450**

***Note**: PIA of $450 represents a 90% replacement of the lifetime working earnings average of $500.*

Example 2: **AIME= $3,000 w/o WEP**

	90% of the first $816 of the AIME	=	$734
+	32% of AIME between $816 and $4,917	=	$699
+	15% of AIME over $4,917		
		=	**$1,433**

***Note**: PIA of $1,433 represents a 48% replacement of the lifetime working earnings average of $3000.*

NOTE: *Note that the 90% factor in the first tier of the formula produces a higher benefit, in proportion to earnings, for lower income earners.*

Social Security Replacement Rates	AIME	PIA	% Replacement
	$500	$450	90%
	$1,000	$793	79%
	$3,000	$1,433	48%
	$5,000	$2,059	41%

Example 3: AIME= $300 w/o WEP

	90% of the first $816 of the AIME	=	$270
+	32% of AIME between $816 and $4,917	=	
+	15% of AIME over $4,917		
		=	**$270**

Note: PIA of $270 represents a 90% replacement of the lifetime working earnings average of $300.

Windfall Benefits Elimination Provision

Windfall Benefits Elimination Provision is a modified Social Security Formula that reduces the Social Security benefit if you are eligible for a retirement benefit from employment which was not covered by Social Security (such as CSRS) and you have less than 30 years of substantial earnings under Social Security.

Note: The modified formula <u>does not apply</u> if you were age 62 before 1986 or you were eligible for Civil Service retirement before 1986. The modified formula is phased in if you became age 62 between 1986 and 1989.

Generally, those with a work history of less than 30 years of substantial earnings under Social Security will appear to have a lower average earnings level (AIME). Social Security generally provides a higher proportion of benefits to lower income employees than it does for those who were higher paid. The reduction that results from the Windfall Elimination Provision is designed to, cancel out this effect, particularly for those who reach age 62 in 1990 or later. The modified formula is <u>not</u> used in computing survivor benefits payable by Social Security. It <u>is</u> used in computing Social Security retirement benefits, spousal benefits and disability benefits.

Employees who transferred from CSRS to FERS are <u>not exempt</u> from the Windfall Benefits Elimination Provision. Many transfer employees, however, lessen the negative impact of the WEP by earning more than 20 years of substantial earnings.

Windfall Benefits Elimination Provision

The Modified Formula (WEP)

The modified formula reduces the benefit based on the number of years of substantial earnings under Social Security as shown on the following charts.

Under the regular Social Security benefit formula (the PIA formula), the first portion of the AIME is multiplied by 90%, the second portion of the AIME is multiplied by 32% and any part of the AIME remaining is multiplied by 15%. In the modified formula of the Windfall Benefit Elimination Provision, the 90% factor used in the first calculation is reduced.

Substantial Earnings:

In the modified formula, you are credited with a year of substantial earnings for each year in which your earnings exceed the substantial amounts shown in column E of the AIME worksheet. Total credited earnings from 1937-50 are divided by $900 to get the number of years of coverage (maximum of 14 years).

Retirees with less than 30 years of substantial earnings covered by Social Security will have the first bendpoint in the PIA formula modified as shown in the table below:

WEP Formula

Substantial Years	1st Bendpoint % Becomes
29	85%
28	80%
27	75%
26	70%
25	65%
24	60%
23	55%
22	50%
21	45%
20 or less	40%

Example 4: The Modified Formula (WEP)
AIME = $300 (with WEP)

	40% of the first $816 of the AIME	=	$120
+	32% of AIME between $816 and $4,917	=	
+	15% of AIME over $4,917		
		=	**$120**

Social Security Benefit Estimates

Social Security Earnings Record and Benefit Estimates

■ You can now obtain a statement of past earnings under Social Security and Medicare and benefit estimates on the Social Security Administration website (www.ssa.gov).

■ This statement will provide your past Social Security taxed wage earnings, and estimates of your Social Security Benefits at age 62 (first eligibility), at full retirement age (65-67) and at age 70 (maximum benefits). These benefits are calculated with this year's Social Security benefit figures and formula. If you do not have enough work credits to qualify for Social Security, the number of work credits on record will be provided.

■. If you receive a pension that is based on work not covered by Social Security, such as CSRS, your Social Security benefit will be calculated using a smaller benefit formula. The estimate provided does not reflect this reduced benefit formula. Use this Windfall Benefits Elimination Provision (WEP) version of line calculator described below to estimate your benefits.

Social Security Benefit Calculators

■ You may estimate your Social Security benefit using the "Retirement Estimator" available on the Social Security Administration website (www.ssa.gov). Estimates are based on real time access to your earnings record. You can create multiple scenarios to adjust the date you plan to stop working or to change your expected future earnings. Windfall Benefits Elimination Provision (WEP) is not considered in this estimate.

Windfall Benefits Elimination Provision (WEP) Calculator

■ To obtain an estimate of your Social Security benefit reflecting the Windfall Benefits Elimination Provisions, you may use the WEP version of the benefit calculator. Go to: Retirement Estimator. Go to "Other Benefit Calculations. Scroll down to On-line Calculators. Use the WEP version of the calculator.

Adjusting the Social Security Benefit Estimate for WEP

If you don't want to calculate your own benefits, here's a shortcut to re-estimate the amount of benefits shown on your Social Security estimate. This adjustment will show you the effect of the Windfall Benefits Elimination Provision. The benefit after adjustment for Windfall Benefits Elimination Provision will be the **higher** of the following calculations:

a) Multiply your Social Security provided estimate by 40/90, which is 44%. This shortcut works well if you just barely earned your 40 work credits, thus your A.I.M.E. (Average Indexed Monthly Earnings) is less than $816.

Example	
SS Estimate = $200 per month	**$200 X .44 = $88 actual benefit payable at full benefit age.**

b) Subtract $408 (50% of $816) from your monthly estimate. This represents the maximum amount of possible reduction this year due to Windfall Benefits Elimination Provision.

Example	
SS Estimate = $850 per month	1) $850 X .44 = $374 per month 2) $850 - $408 = $442 per month *The actual Social Security payable would be $442 (calculation # 2), which is higher.*

Use the shortcut technique (1) or (2) above which results in the highest re-estimation of benefits.

c) If you have more than 20 "substantial" Social Security wage earning years, then the Windfall Elimination Provision will not reduce the benefit as drastically as shown above.

Adjusting the Social Security Benefit Estimate for WEP

The maximum change in PIA in 2014 due to the Windfall Benefits Elimination Provision is the difference between 90% of the first tier of the first $816 of the AIME and 40% of the first $816 of the AIME = a difference of 50% of $816 = $408 per month.

If you have more than 20 years of substantial earnings, the loss due to WEP is the difference between 90% of $816 and the WEP percentage of PIA based upon your years of substantial earnings.

To adjust the estimate provided by SSA for Windfall Benefits Elimination Provision, **subtract the following amount from your full benefit age estimate**. The result is your PIA (Primary Insurance Amount) which is payable at Full Retirement Age (65-67). You must reduce this if you plan to receive benefits before your Full Retirement Age.

Reduction for WEP

Years of Substantial Earnings	1st bendpoint % of $816	Subtracted from 90% (full formula)	Loss in PIA (Subtract)
20	40% of $816	- 50% of $816	-$408
21	45% of $816	- 45% of $816	-$367
22	50% of $816	- 40% of $816	-$326
23	55% of $816	- 35% of $816	-$286
24	60% of $816	- 30% of $816	-$245
25	65% of $816	- 25% of $816	-$204
26	70% of $816	- 20% of $816	-$163
27	75% of $816	- 15% of $816	- $122
28	85% of $816	- 10% of $816	- $82
29	85% of $816	- 5% of $816	- $41
30	90% of $816	no reduction	- $0

Example

Full Retirement Age (FRA) estimate provided by Social Security Administration = $1,436

25 years of substantial earnings = Adjustment of - $204

$1,436 - $204 = $1,232

= Full Retirement Age Benefit adjusted for WEP

Retirement Options Based on Age

Full Benefits: Full Retirement Age (Age 65 – 67)

The PIA formula produces the benefit payable at Full Retirement Age (FRA) which is 65 for anyone born before 1938. The Social Security Normal Retirement Age is increasing for anyone born in or after 1938. Benefits can be significantly higher or lower than the PIA, depending upon the age at retirement. The Full Retirement Age (FRA) may also be referred to as the Normal Retirement Age (NRA).

Actuarially Reduced Benefits

A retiree may elect to receive Social Security benefits as early as age 62, but will suffer a reduction of 5/9 of one percent per month under age 65. For a person (born before 1938) electing to receive benefits at age 62, this would result in a 20% reduction.

Persons born 1938 or later may also elect to receive Social Security benefits at age 62. The reduction factor will be 5/9 of one percent for each of the first 36 months, then 5/12 of one percent for each of the next 24 months a benefit is paid prior to the full retirement age. For a person born 1960 or later electing to receive Social Security at age 62, this would result in a 30% reduction.

Delayed Retirement Credit (DRC)

A retiree may delay receipt of Social Security beyond normal retirement age (65-67) and receive Delayed Retirement Credits (DRCs) for each year that he/she does not receive Social Security benefits. The DRC is 5½% for anyone born in 1933-1934, 6% if born 1935-1936, 6.5% if born 1937-1938, 7% if born 1939-1940, 7.5% if born 1941-1942, and 8% for anyone born 1943 and later.

Full Benefits FRA		Reduction Factors Benefit as a % of PIA			Delayed Retirement Credits Benefit as a % of PIA				
Year of Birth	Full Retirement Age (FRA)	Retirement Benefits Age 62	Spousal Benefits Age 62	Survivor Benefits Age 60	DRC% credit	Age 65	Age 66	Age 67	Age 70
1930	65	80	37.5	71.5	4.5	100	104.5	109	122.5
1931	65	80	37.5	71.5	5	100	105	110	125
1932	65	80	37.5	71.5	5	100	105	110	125
1933	65	80	37.5	71.5	5.5	100	105.5	111	127.5
1934	65	80	37.5	71.5	5.5	100	105.5	111	127.5
1935	65	80	37.5	71.5	6	100	106	112	130
1936	65	80	37.5	71.5	6	100	106	112	130
1937	65	80	37.5	71.5	6.5	100	106.5	113	132.5
1938	65-2 mo.	79.17	37.08	71.5	6.5	98.89	106.42	111.92	131.56
1939	65 - 4 mo.	78.33	36.67	71.5	7	97.78	104.67	111.67	132.67
1940	65 - 6 mo.	77.50	36.25	71.5	7	96.67	103.5	110.5	131.5
1941	65 - 8 mo.	76.66	35.84	71.5	7.5	95.56	102.5	110	132.5
1942	65 - 10 mo.	75.83	35.42	71.5	7.5	94.44	101.25	108.75	131.25
1943-54	66	75	35	71.5	8	93.33	100	108	132
1955	66 - 2 mo.	74.17	34.59	71.5	8	92.22	98.89	106.67	130.67
1956	66 - 4 mo.	73.33	34.17	71.5	8	91.11	97.78	105.33	129.33
1957	66 - 6 mo.	72.50	33.75	71.5	8	90	96.67	104	128
1958	66 - 8 mo.	71.66	33.34	71.5	8	88.89	95.56	102.67	126.67
1959	66 - 10 mo.	70.83	32.92	71.5	8	87.78	94.44	101.33	125.33
1960 & later	67	70	32.5	71.5	8	86.67	93.33	100	124

The full benefit age for widow(er)s is increasing from 65 to 67 on a slightly different schedule than the full benefit age for retirement benefits and spousal benefits. The reduced benefit for widow(er)s at age 60 will continue to be 71.5% of PIA.

Family Benefits

Auxiliary Benefits

Certain family members may also be entitled to monthly benefits (auxiliary benefits) based on your entitlement. A spouse and children are eligible when you apply for benefits. A former spouse may be entitled to benefits when you are eligible for benefits, even though you have not yet applied.

A wife or husband or former spouse of a Social Security recipient may be eligible for 50% of the Worker's PIA at the spouse's full benefit age. The spouse's or former spouse's insurance benefits are reduced by 25/36 of 1% (or 1/144) for each month of entitlement before the spouse's full benefit age, up to 36 months. Spouse's or former spouse's benefits are reduced 5/12 of 1% for each month of reduction in excess of 36 months.

Survivor Benefits

Upon application, survivor benefits may be paid to family members of a deceased worker, if the worker was fully insured <u>or</u> currently insured (provides limited eligibility). To be fully insured, the deceased must have one quarter of coverage for each calendar year after 1950, or after the calendar year in which the worker attained age 21, whichever is later, up to the calendar year in which the worker dies. To be currently insured, the deceased must have earned six quarters of coverage during the last 13 calendar quarters.

A widow or widower may be eligible for 100% of the deceased's Social Security benefit. The widow(er)'s benefits are reduced by 19/40 of 1% (or 19/4000) for each month of entitlement between 60 and full benefit age. The maximum reduction in widow(er)'s benefit is 28.5% at age 60.

Maximum Family Benefit (MFB)

Family benefits payable on one employee's Social Security record are limited to a maximum set by law. The maximum family benefit (MFB) is based upon the employee's PIA. The maximum monthly benefit payable to a family (including the employee, but not including any amount paid to a former spouse) ranges from 150 percent to 188 percent of the employee's PIA in retirement and survivor cases and from 100 percent to 150 percent of the PIA in disability cases. If the sum of the individual benefits based on the worker's earnings record is more than the MFB amount, the benefit for each family member (but not the worker or a former spouse) will be reduced proportionately to bring the total within the MFB limit.

Lump-Sum Death Benefit

A one-time payment of $ 255 may be paid to spouse or child in addition to the monthly cash benefits described above.

Family Benefits

Auxiliary Benefits	% of PIA
Spouse:	
Full Benefit Age (65-67)	50
Age 62	32.5-37.5
Any Age w/ Eligible child	50
Eligible Child:	50
- Unmarried	
- Under age 18	
- Under age 19 if in high school	
- Any age disabled before age 22	
Former Spouse	
Full Benefit Age (65-67)	50
Age 62	32.5-37.5
- Married 10 or more years	
- Doesn't remarry before age 60	

Survivor Benefits	% of Deceased Worker's Benefit
Surviving Spouse:	
Age 65	100
Age 62	82.9
Age 60	71.5
Disabled Spouse:	71.5
Age 50 - 59	
Spouse under 60:	75
caring for eligible child	
Former Spouse:	
Age 65	100
Age 62	82.9
Age 60	71.5
- Married 10 or more years	
- Doesn't remarry before age 60	
Eligible Child:	75
Dependent Parents:	
1 parent	82.5
2 parents	75

Dual Entitlement

Employees who qualify for Social Security benefits on their own record and are also eligible for benefits as a spouse will not receive both benefits in full.

The “Dual Entitlement” provision of the Social Security law does not allow payment of a full Social Security spouse’s benefit in addition to a Social Security worker’s benefit. The worker’s earned benefit is paid in full and the spousal benefit is offset dollar for dollar by the worker’s benefit. If the amount of the spousal benefit is higher than the worker’s benefit, the worker’s benefit is supplemented by the difference between the worker’s benefit and his/her spousal benefit. Often this offset is described as “Social Security pays the higher of the two benefits.”

Example

John’s Social Security PIA (at 66)	=	$2,000
Mary’s spousal benefit based on John’s record (at 66)	=	$1.000
Mary’s (earned) Social Security PIA	=	$1,200

<u>Dual Entitlement</u>

Mary’s spousal benefit...	=	$1,200
... is offset dollar for dollar by her own benefit	=	- $1,000
	=	$0

Mary will NOT receive spousal benefit based upon John’s SS (Dual Entitlement)

<u>Survivor Benefits</u>

If John were to predecease Mary, then Mary would be entitled to up to 100% (at full benefit age) of John’s PIA...	=	$2,000
... less her own benefit		- $1,200
This leaves Mary with a survivor benefit...	=	$800
... plus her (earned) Social Security	=	+ $1,200
	=	$2,000

Government Pension Offset (GPO)
Public Pension Offset (PPO)

The Social Security spouse's benefit is offset if the spouse receives a government pension from work not covered by Social Security. The Social Security spousal or survivor benefit is reduced $2.00 for every $3.00 in government pension.

Example

John's Social Security PIA	=	$2,000
Alice's (age 66) former spouse benefit (Based on John's PIA)	=	$1,000
Alice's CSRS benefit	=	$2,400

Government Pension Offset (GPO)

Alice's former spouse benefit...	=	$1,000
... is reduced $2 for every $3 of her own CSRS pension = - 2/3 of $2,400	=	-$1,600
	=	$0

Alice will not receive any spousal benefit based upon John's SS because GPO has reduced the benefit payable to $0.

Survivor Benefits

If John were to predecease Alice, then Alice would be entitled to 100% (at full benefit age) of John's benefit.	=	$2,000
... less 2/3 of her CSRS		- $1,600
survivor benefit	=	$ 400

***Note**: Civil Service survivor annuities will not affect Social Security benefit entitlements.*

Exemptions from Government Pension Offset Provision:

1) Employees who transfer to FERS after June 30, 1988 and work for five years under FERS before retiring are exempt from the Government Pension Offset Provision.
2) Employees who transferred to FERS between July 1987 and June 1988 were immediately exempt from Government Pension Offset.
3) Civil Service Offset employees are exempt from Government Pension Offset.

Note: Transfer employees and CSRS Offset employees are subject to Dual Entitlement.

Example:

Coordination of Benefits
CSRS Retiree/Social Security Spouse

Dan	Dorothy
CSRS retiree. Small Social Security benefit (based on 40 credits of Social Security) subject to the WEP modified formula. Dan elected full survivor benefits for wife, Dorothy. Dan is not entitled to a Social Security Spousal benefit. (Government Pension Offset)	Full Career Social Security. No family benefit available under CSRS.
Dan predeceases Dorothy.	1. Dorothy continues to receive her full Social Security benefit. 2. Dorothy receives the full CSRS survivor benefit. There is no reduction in the Social Security earned benefit or the CSRS survivor benefit. 3. Dorothy will not receive a Social Security survivor benefit. (Dual Entitlement Provision)
1. Dan's CSRS annuity is restored to the full life rate. 2. Dan will continue to receive his own earned Social Security. 3. Dan will not receive a Social Security survivor benefit. (Government Pension Offset and Dual Entitlement Provisions)	Dorothy predeceases Dan.

Example:

Coordination of Benefits
FERS Retiree/Social Security Spouse

Frank	Flora
FERS retiree. Full Career Social Security. Elected full survivor benefits for Flora. Frank is not entitled to a Social Security Spousal benefit. (Dual Entitlement)	Full Career Social Security. No family benefit available under FERS. Flora is not entitled to a Social Security Spousal benefit. (Dual Entitlement)
Frank predeceases Flora.	1. Flora continues to receive her full Social Security benefit. 2. Flora receives any portion of Frank's Social Security survivor benefit which exceeds her full earned benefit. (Dual Entitlement) 3. Flora receives the full FERS survivor Benefit.
1. Frank's FERS annuity is restored to the full life rate. 2. Frank continues to receive his full earned Social Security benefit. 3. Frank receives any portion of Flora's Social Security survivor benefit which exceeds his earned benefit (Dual Entitlement).	Flora predeceases Frank.

Family Benefits / Suspended Benefits and Delayed Retirement Credits

Under Full Retirement Age:

If you are under full retirement age and qualify for benefits based upon someone else's record and based on your own record, Social Security Administration will pay your earned benefit amount first. If you qualify for a higher amount as a spouse, former spouse, widow or widower on another record, you will receive a combination of benefits that equals the higher amount.

Full Retirement Age:

If you have reached your full retirement age, you can apply for retirement benefits and then have the payments suspended so that your spouse (or ex-spouse) can receive a spouse's benefit and you can continue to earn delayed retirement credits (DRCs) until age 70.

Hank - Age 66	Helen - Age 66
PIA = $2,000 per month Hank applies for his Social Security benefit and then suspends his benefit to age 70 to earn delayed retirement credits.	Helen is not eligible for an earned Social Security benefit and she is not receiving a CSRS retirement benefit or state or local government benefit. (See GPO.) Helen receives a spousal benefit of $1,000 per month based on Hank's record.
≥ 4 years later: Hank, age 70, collects his Social Security benefit with 32% Delayed Retirement Credits (DRCs) DRCs = 8% per year. = $2,640 per month.	≥ 4 years later: Helen continues to receive a spousal benefit of $1,000 per month based on Hank's record. Spousal benefits do not include DRCs.
Hank predeceases Helen.	Helen receives a survivor benefit of $2.640 per month. Survivor benefits include DRCs.
Hank receives $2,640 per month.	Helen predeceases Hank.

Example does not reflect Cost of Living Adjustments.

Example:

Family Benefits / Suspended Benefits and Delayed Retirement Credits

Full Retirement Age:

If you have reached your full retirement age and are eligible for a spouse's or ex-spouse's Social Security benefit and your own Social Security retirement, you may chose to receive only spouse's benefits and suspend your own retirement benefit until a later date to take advantage of delayed retirement credits.

Norm - Age 66	Nancy - Age 62
PIA = $2,400 per month Norm collects a spousal benefit based upon Nancy's record of 50% of Nancy's PIA = $1,000 per month. (Norm "restricts" his application to spousal benefits only.) Norm does not apply for his benefit until to age 70 to earn 32% delayed retirement credits.	PIA = $2,000 per month Nancy applies for benefit at age 62 and receives 75% of her PIA . = $1,500 per month
≥ 4 years later: Norm, age 70, collects his Social Security benefit with 32% DRCs Delayed Retirement Credits. DRCs = 8% per year. = $3,168 per month.	≥ 4 years later: Nancy, age 66, is still collecting her $1,500 Social Security benefit which was reduced for age.
Norm predeceases Nancy.	Nancy receives a survivor benefit of $3,168 -$2,000 earned PIA $1,168 survivor benefit + $1,500 earned benefit $2,668 per month
Norm receives $3,168 per month.	Nancy predeceases Norm.

Example does not reflect Cost of Living Adjustments.

Social Security Earnings Test

The Social Security benefit is reduced if earnings from wages or self-employment exceed the annual exempt amount. The Earnings Test applies to Social Security retirement benefits and survivor benefits. Earnings of the worker may affect the total family benefits. Earnings of individual family members affect only the benefit of that family member.

Earnings Limitation: 2014

Years Under Full Retirement Age	$15,480 ($1,290/month in year of retirement) The Social Security benefit is reduced $1 for every $2 earned above the limit.
Year Individual Reaches Full Retirement Age	$41,400 Applies only to earnings for months prior to attaining full retirement age. The Social Security benefit is reduced $1 for every $3 earned above the limit.
Full Retirement Age	No limit

Special Rule in First Year of Retirement

In the first year of retirement, a full Social Security benefit is payable for any whole month in which earnings do not exceed the monthly earnings limit shown above, regardless of the total earnings for the year.

Earnings

"Earnings" include wages and net self-employment income.

Income from pensions, Thrift Savings Plan, investments, interest, savings, capital gains, or other government benefits are **not included** in the earnings limitation.

In determining the earnings limitation, income from wages count in the year in which it is earned, not when in the year received. If a payment, such as a lump sum annual payment, is deferred to the following year, it should not be counted as income for the year that it is received.

Federal Taxes on Social Security

If you file a federal tax return as an individual and your combined income * is between $25,000 and $34,000, you may have to pay taxes on 50 percent of your Social Security benefits. If your combined income* is above $34,000, then up to 85 percent of your Social Security benefit is subject to income tax.

If you file a joint return, and you and your spouse have a combined income* that is between $ 32,000 and $44,000, you may have to pay taxes on 50 percent of your benefits. If your combined income* is more than $44,000, up to 85 percent of your Social Security benefits is subject to income tax.

***Combined income** is the sum of your adjusted gross income, plus nontaxable interest plus one-half of your Social Security benefits.

Income Tax Filing Status	Combined Income	Taxable Social Security
single taxpayer	less than $25,000 $25,000 - $34,000 more than $34,000	0 up to 50% up to 85%
married filing joint return	less than $32,000 $32,000 - $44,000 more than $44,000	0 up to 50% up to 85%
married filing separately and live with spouse	any amount	up to 85%

To have Federal Taxes Withheld from Your Social Security Benefit:
You are not required to have Federal taxes withheld from your Social Security benefit. You may file quarterly estimated tax payments or you may elect to have Federal income tax withheld from your benefit by completing IRS Form W-4V (Voluntary Withholding Request). Obtain IRS Form W-4V by calling 1-800-TAX-FORM (829-3676) or download the form from the Social Security website, http://ssa.gov.

For Additional Information
IRS Publication 915: Social Security and Equivalent Railroad Retirement Benefits is available by calling 1-800-TAX-FORM (829-3676) or you may download the publication from the IRS website: www.irs.ustreas.gov.

Contacting the Social Security Administration

Telephone Service: 1-800-772-1213
Automated telephone service is available 24 hours per day to request forms or publications, to obtain general information. Customer service representatives are available from 7 a.m. to 7 p.m. to answer questions by telephone.

Local Social Security Office
You may also visit your local Social Security Office to speak with a customer Service Representative. Call 1-800-772-1213 for the office nearest you.

Applying for Benefits
You may apply for you benefits on-line on www.ssa.gov. three months before you want your benefits to begin. You may also call 1-800- 772-1231 to make an appointment to apply for benefits. Applications can be taken over the telephone or at your local Social Security Office .

You will need the following information to apply for benefits:

- your Social Security number;
- your birth certificate;
- your W-2 or self-employment tax return for last year;
- military discharge, if you had military service,
- your spouse's birth certificate and Social Security number, if applying he or she is applying for benefits;
- children's birth certificate and Social Security numbers, if applying for children's benefits; and
- the name of your bank and account number for direct deposit of your payments.

You must submit original documents or copies certified by the issuing office. Social Security will make copies and return the originals to you.

Social Security Publications
The following publications can be obtained free of charge at any Social Security office or by calling the toll-free number 1-800-772-1213 or on the Social Security website, www.ssa.gov.

- Understanding Social Security (Pub.# 05-10024) An Overview of Social Security
- Retirement (Pub.# 05-10035) A guide to Social Security retirement benefits
- Disability (Pub.# 05-10029) A guide to Social Security disability benefits
- Survivors (Pub.# 05-10084) A guide to Social Security survivors benefits
- Medicare (Pub.# 05-10043) A guide to the Medicare programs

Social Security Internet Address: http://www.ssa.gov

Calculating the AIME: Past Social Security Earnings

(Worker attains age 62, dies, or becomes disabled in 2014 or later)

	A	B	C	D	E	F
Year	Maximum Taxable Amount	Enter Taxable Earnings	Index Factor	= Indexed Earnings	Substantial Earnings (WEP)	√ Sub. Earnings
1960	$ 4,800		11.06		$ 1,200	
1961	$ 4,800		10.85		$ 1,200	
1962	$ 4,800		10.33		$ 1,200	
1963	$ 4,800		10.08		$ 1,200	
1964	$ 4,800		9.69		$ 1,200	
1965	$ 4,800		9.51		$ 1,200	
1966	$ 6,600		8.97		$ 1,650	
1967	$ 6,600		8.50		$ 1,650	
1968	$ 7,800		7.95		$ 1,950	
1969	$ 7,800		7.52		$ 1,950	
1970	$ 7,800		7.16		$ 1,950	
1971	$ 7,800		6.82		$ 1,950	
1972	$ 9,000		6.21		$ 2,250	
1973	$ 10,800		5.85		$ 2,700	
1974	$ 13,200		5.52		$ 3,300	
1975	$ 14,100		5.14		$ 3,525	
1976	$ 15,300		4.80		$ 3,825	
1977	$ 16,500		4.53		$ 4,125	
1978	$ 17,700		4.20		$ 4,425	
1979	$ 22,900		3.86		$ 4,725	
1980	$ 25,900		3.54		$ 5,100	
1981	$ 29,700		3.22		$ 5,550	
1982	$ 32,400		3.05		$ 6,075	
1983	$ 35,700		2.91		$ 6,675	
1984	$ 37,800		2.75		$ 7,050	
1985	$ 39,600		2.63		$ 7,425	
1986	$ 42,000		2.56		$ 7,875	
1987	$ 43,800		2.41		$ 8,175	
1988	$ 45,000		2.29		$ 8,400	
1989	$ 48,000		2.21		$ 8,880	
1990	$ 51,300		2.11		$ 9,525	
1991	$ 53,400		2.03		$ 9,900	
1992	$ 55,500		1.93		$ 10,350	
1993	$ 57,600		1.92		$ 10,725	
1994	$ 60,600		1.87		$ 11,250	
1995	$ 61,200		1.79		$ 11,325	
1996	$ 62,700		1.71		$ 11,625	
1997	$ 65,400		1.62		$ 12,150	
1998	$ 68,400		1.54		$ 12,675	
1999	$72,600		1.45		$ 13,425	
2000	$76,200		1.38		$ 14,175	
2001	$80,400		1.35		$ 14,925	
2002	$84,900		1.33		$ 15,750	
2003	$87,000		1.30		$ 16,125	
2004	$87,900		1.24		$ 16,275	
2005	$90,000		1.19		$16,725	
2006	$94,200		1.15		$17,475	
2007	$97,500		1.10		$18,150	
2008	$102,000		1.07		$18,975	
2009	$106,800		1.09		$19,800	
2010	$106,800		1.06		$19,800	
2011	$106,800		1.03		$19,800	
2012	$110,100		1.00		$20,475	
2013	$113,700		1.00		$21,075	
		Total Indexed Earnings		$	# yrs.Sub. √	

Projecting Estimated Future Social Security

(Earnings in current dollars)

	A	B	C	D	E	F
Year	Maximum Taxable Amount	Enter Taxable Earnings	Index Factor	= Indexed Earnings	Substantial Earnings (WEP) (*estimate)	√ Sub. Earnings
2014	$117,000		1.00		$ 21,700*	
2015	$117,000		1.00		$ 21,700*	
2016	$117,000		1.00		$ 21,700*	
2017	$117,000		1.00		$ 21,700*	
2018	$117,000		1.00		$ 21,700*	
2019	$117,000		1.00		$ 21,700*	
2020	$117,000		1.00		$ 21,700	
2021	$117,000		1.00		$ 21,700*	
2022	$117,000		1.00		$ 21,700*	
2023	$117,000		1.00		$ 21,700*	
2024	$117,000		1.00		$ 21,700*	
2025	$117,000		1.00		$ 21,700*	
2026	$117,000		1.00		$ 21,700*	
2027	$117,000		1.00		$ 21,700*	
2028	$117,000		1.00		$ 21,700*	
2029	$117,000		1.00		$ 21,700*	
2030	$117,000		1.00		$ 21,700*	
		Total Future Earnings		$	# yrs.Sub. √	
		Total Previous Indexed Earnings		$	# yrs.Sub. √	
		Total Earnings Past & Future		$	# yrs.Sub. √	

1. Calculate Your A.I.M.E.

Index Earnings:

1) Enter your actual earnings in column B, but not more that the amount shown in column A. (MTA) (Enter $0 for any calendar years in which you had no SS earnings.)
2) Multiply the amounts in column B by the "index factors" shown in column C. Enter the results in column D = "indexed earnings".

Average Monthly:

1) Cross out lowest earnings shown in column D in excess of 35 years.
2) Total remaining indexed earnings $____________________
3) Divide by 420 (35 years times 12 months). ÷ 420

Result is **Average Indexed Monthly Earnings** over your lifetime = **AIME. $**____________

2. Estimate the Monthly Benefit

Primary Insurance Amount **Full Benefit Formula (No WEP)**	**Primary Insurance Amount** **Modified Formula Reduced for WEP** *** Identify WEP Factor (page 7)**
Multiply the first $816 of the AIME by 90% = ____________________ Multiply any amount of the AIME over $816 and through $4,917 by 32% = ____________________ Multiply any amount of the AIME over $4,917 by 15% = ____________________ Total = Primary Insurance Amount (PIA) = Normal Retirement Age Benefit = __________________	Multiply the first $791 of AIME by _______ % = ____________________ Multiply any amount of the AIME over $816 and through $4,917 by 32% = ____________________ Multiply any amount of the AIME over $4,917 by 15% = ____________________ Total = Primary Insurance Amount (PIA) = Normal Retirement Age Benefit = __________________
Adjustment for Age: Age 62 Social Security Benefit Multiply PIA by % shown on page 12 ______% Age 62 Benefit: = $______________	Adjustment for Age: Age 62 Social Security Benefit Multiply PIA by % shown on page 12 ____________% Age 62 Benefit: = $ ____________________

SCHAEFFER
FINANCIAL LLC

Financial Planning for Retirement

Goals and Objectives

Planning for Retirement

Appropriate Use of Debt

Investing and IRAs

Estate Planning

Life Insurance

Long Term Care Insurance

Table of Contents

Identify Your Goals

The success of your financial plan is measured by your progress toward your highest priority goals.

The first step is to list all your financial goals:

- big ticket items
- irregular expenses
- wish-list sorts of things

Once you have a list of what you're trying to accomplish, take another few minutes to acknowledge which goals are more important than the rest.

Next, list them chronologically in order to get a sense of how to structure your rate of savings.

You can then test your spending habits to see if your paycheck to paycheck behavior is helping to protect these goals or whether some changes need to be made.

To begin your spending plan, list your current and future financial goals:

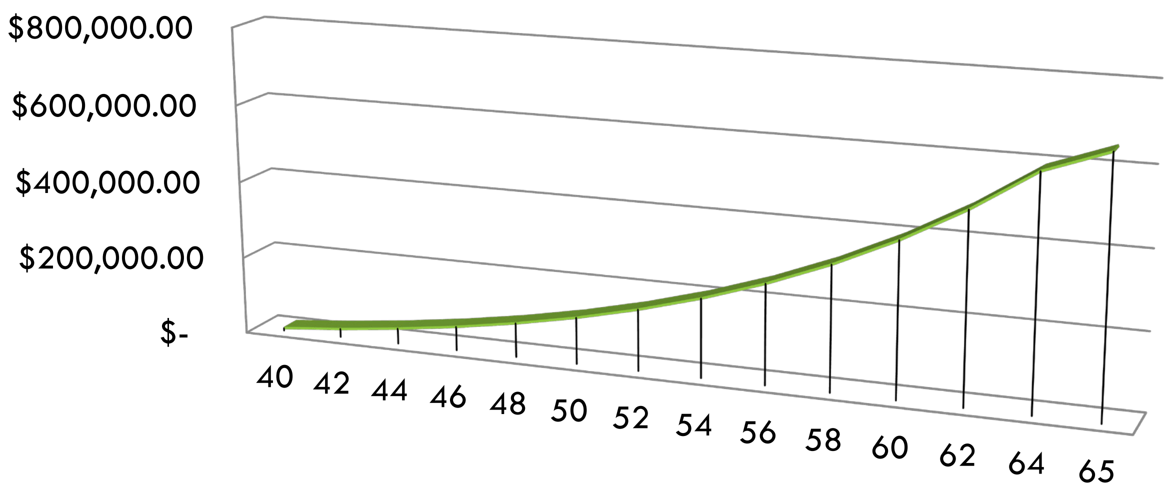
Right now, what is most important to me is:

Being retired in 30 years is a big, audacious goal, and it is easier to be successful when you have enough money. The retirement income you receive will depend on how much you contribute and how you allocate your money among the various investment choices.

You can do it through Thrift:

If an employee begins contributions at age 40
10% contributions
$60K salary
Annual increase of 2.5%
8% annual rate of return

At age 65 your TSP could be worth $647,536



My Goals:

Big Ticket Items:

1.

2.

3.

Irregular Expenses:

1.

2.

3.

Wish List:

1.

2.

3.

The Big Four

The four signs that you're on track for a financially secure retirement:

1. You live within your means.

2. Your assets are increasing year-to-year.

3. Your reliance on debt is decreasing year-to-year.

4. Your estimated retirement cash flow indicates that your basic living needs will be met without depleting assets too.

Are you living within your means? In other words, can you meet your needs without spending more than you earn.

Taking out a mortgage for the purchase of a home may put you in debt for as long as 30 years; but this type of debt comes with benefits. The interest you pay on the loan may be deducted from your taxable income, and the equity may be used for future loans. The purchase of a home is considered a "need."

Buying recreational items on credit is very different. By doing this, you're going into debt to buy non-essential things. These are "wants". Paying for everyday items by going into debt limits your choices because you're constantly caught paying for yesterday instead of moving toward tomorrow. Simply put, you're robbing yourself, and your future.

It can be challenging at first, but you can't retire until you've mastered the art of living within your means.

The Balance Sheet and the Cash Flow Statement

These are the two most important tools in preparing for retirement.

Balance Sheet

The balance sheet gives you a one-time snapshot of your assets and debts.

Asset: these are items you own and can be separated into three categories:

Cash and cash equivalents:
These are considered liquid assets and generally can be converted into cash with little or no loss of principal: checking or savings accounts, CDs, money market funds.

Invested assets:
These are considered market based assets and have no guaranteed value. Examples are stocks, bonds, mutual funds, real estate, collectibles, etc.

Use assets:
Often referred to as tangible or lifestyle assets, these include property that can't be used to meet financial obligations such as a residence, automobiles and household furnishings.

Debt: this category is any liability that you are currently assuming, such as a mortgage balance, auto loan balance, credit cards, etc.

Mortgage debt:
Is treated differently than all other debt.

Cash Flow Statement

While a balance sheet indicates what you currently own and owe at any specific point in time, the cash flow statement shows the inflow and outflow of money over a specific period time, usually monthly or yearly.

Inflow: includes all the dollars you have coming in (income). Salaries, wages, Social security benefits, pension payments, retirement income, rental income, interest and dividend income, loan proceeds, tax refunds, grants, trust income, alimony, child support, etc.

Outflow: includes all the dollars you have going out, and can be divided as fixed or variable. Fixed outflows are relatively predictable and reoccurring, while variable outflows are less predictable and controllable.

Fixed: housing, insurance, loan payments, child support

Variable: medical/dental expenses not covered by insurance, child care, food, personal care, contributions, utilities, housing maintenance, entertainment, vacations, taxes, etc.

Organize!

The cash flow you assume in your head is probably different from the reality that you'll be writing down. This is why organizing your finances is paramount to good planning.

Analyze!

It is important to analyze your cash flow at least once a year.

If Cash Flow is:

Negative: You are not earning enough cash to sustain your current lifestyle. Most likely you are subsidizing the shortfall with debt.

Exactly Zero: You can barely sustain your current lifestyle. If you do not have a savings buffer and if you become unable to work or your income streams suddenly stops then your lifestyle will be severely affected.

Positive: This is a requirement for a comfortable retirement. You are living within your means and working toward your goals.

Inflow/Outflow Ratio:

The Inflow/Outflow Ratio can provide some useful insight into your financial health.

To get the Inflow/Outflow Ratio, you take your Total Cash Inflow divided by Total Cash Outflow.

For Example:
Alex earns a salary of \$60,000, he receives an additional \$5,000 in rental income and \$2,000 in interest/dividend income.

After tracking fixed and variable expenses, Alex determines that they total \$68,000

$$\frac{\text{Inflow: \$67,000}}{\text{Outflow: \$68,000}} = 0.99$$

Less than 0.80: You are spending a lot more than you can afford. One of the first things you can do is to put a stop on all of your spending immediately. Spend only if you have to.

Between 0.81 to 0.99: You are slightly overspending. You should be able to cut some excess spending.

Between 1.0 to 2: You are spending less than you earn. Congratulations! Save your extra cash and invest in your retirement.

If your ratio is 2: This means that in 1 year, you are earning enough money for 2 years' spending.

If your ratio is 3: This means that in 1 year, you are earning enough money for 3 years' spending.

Track your expenses using a monthly budget

Financial peace of mind is not determined by how much you make, but is dependent on how much you spend.

Personal Monthly Budget

PROJECTED MONTHLY INCOME	Income 1		**PROJECTED BALANCE (Projected income minus expenses)**	
	Extra income			
	Total monthly income		**ACTUAL BALANCE (Actual income minus expenses)**	
ACTUAL MONTHLY INCOME	Income 1		**DIFFERENCE (Actual minus projected)**	
	Extra income			
	Total monthly income			

HOUSING	Projected Cost	Actual Cost	Difference
Mortgage or rent			
Phone/Cable			
Electricity			
Gas			
Water and sewer			
Waste removal			
Maintenance or repairs			
Subtotals			
TRANSPORTATION	Projected Cost	Actual Cost	Difference
Vehicle payment			
Bus/taxi fare			
Insurance			
Fuel			
Maintenance			
Subtotals			
INSURANCE	Projected Cost	Actual Cost	Difference
Home			
Health			
Life			
Subtotals			
FOOD	Projected Cost	Actual Cost	Difference
Groceries			
Dining out			
Subtotals			
PETS	Projected Cost	Actual Cost	Difference
Food			
Medical			
Grooming			
Subtotals			
PERSONAL CARE	Projected Cost	Actual Cost	Difference
Medical			
Hair/nails			
Clothing			
Dry cleaning			
Health club			
Subtotals			

ENTERTAINMENT	Projected Cost	Actual Cost	Difference
Video/DVD			
CDs			
Movies			
Concerts			
Sporting events			
Live theater			
Other			
Other			
Subtotals			
LOANS	Projected Cost	Actual Cost	Difference
Personal			
Student			
Credit card			
Subtotals			
TAXES	Projected Cost	Actual Cost	Difference
Federal			
State			
Local			
Other			
Subtotals			
SAVINGS OR INVESTMENTS	Projected Cost	Actual Cost	Difference
Retirement account			
Investment account			
Subtotals			
GIFTS AND DONATIONS	Projected Cost	Actual Cost	Difference
Charity 1			
Charity 2			
Subtotals			
LEGAL	Projected Cost	Actual Cost	Difference
Attorney			
Alimony			
Child Support			
Subtotals			
TOTAL PROJECTED COST			
TOTAL ACTUAL COST			
TOTAL DIFFERENCE			

Planning is an Ongoing Process

Good financial planning is an ongoing, collaborative process that reflects your changing personal circumstances as well as fluctuations in the economy and capital markets.

Your financial plan should be designed to reflect your life, your dreams, and the personal legacy you want to leave.

Assessing your current financial situation, understanding your goals and aspirations, and determining your tolerance for risk are at the heart of financial planning.

Your financial plan won't be a one-size-fits-all document that sits on a shelf gathering dust. The key to a successful financial plan is its flexibility.

This means that you will need to revisit your plan at certain intervals to see that you are still on track. This allows you to make changes as needed. Reviewing and revising your plan is how it becomes something useful.

Many changes occur in a year. It is important to make the time in your life to sit down to review and update your balance sheet.

Your spending plan is just that - a plan, and as your life changes and things happen, your plan will need to change also.

An important step in creating a financial plan is adjusting it to your ever-changing reality.

Some items to think about when updating your financial plan each year:

Since your last review, have you ...	Yes	No
Been married, divorced, separated or widowed?	❒	❒
Had or adopted a child?	❒	❒
Lost a child or grandchild?	❒	❒
Added dependents (aging parents, children returned home)?	❒	❒
Loaned money to your children?	❒	❒
Bought a home?	❒	❒
Acquired new property such as a rental or vacation home?	❒	❒
Increased / decreased your net worth significantly?	❒	❒
Received an inheritance or significant gift?	❒	❒
Made a substantial gift?	❒	❒
Thought about making a planned gift?	❒	❒
Started a business?	❒	❒
Bought life insurance?	❒	❒
Moved to a new state?	❒	❒
Gained or lost employment? Changed jobs?	❒	❒
Purchased or considered purchasing international property?	❒	❒
Retired?	❒	❒
Started a regular investment vehicle?	❒	❒

How Much Can You Spend?

Appropriate Spending in Retirement

The 4% Rule (adjusted annually for inflation) has become somewhat of an industry standard for a safe retirement withdrawal rate. But, like any other rule of thumb, certain problems are presented when situations differ from the ideal. Timing is everything. Due to unpredictable market fluctuation, two individuals with identical portfolios who retire just one year apart can experience dramatically different results.

So What is a Proper Withdrawal Amount?

No risk-free solution to a safe withdrawal rate exists. As you plan for retirement and develop your appropriate withdrawal rate, be mindful of some key factors that may guide you to spend more or less in any given year:

- Your health may decline as you get older. You may need to spend less in the beginning of retirement to cover increasing expenses, particularly if you don't have a significant other or long-term care insurance.
- You may outlive your average life expectancy.
- The market may take a severe downturn shortly after you retire.

No one can predict the future!

The best financial plans are flexible. When planning for your retirement, you must build in flexibility.

Identify goals
Know where you stand: Have a balance sheet
Anticipate expenditures: Track your cash flow
Review
Edit and update

Delayed Retirement

Individuals working full-time until at least the age of 66 could enjoy a retirement income 1/3 higher than if they had retired at 62 (Brookings Institute, 2008). This striking increase is driven by multiple factors:

- Boosting monthly Social Security benefits
- Allowing workers to build up larger 401(k) and TSP balances
- Reducing the period over which retirees must rely on their retirement assets

Protect Your Goals

- Am I behaving like someone trying to protect the goal of retiring comfortably?
- How long do I need to make my money last?
- How expensive am I?

Factors To Be Mindful Of

- Declining health
- Downturn in the market
- Outliving life expectancy
- Unforseen expenses

Intergenerational Planning

- Are you supporting anyone? Will you be?
- Get documents in order
- Plan beyond finances
- Long-term care insurance; who needs it? Who pays?
- Have a plan - share the plan - follow the plan

Estimated Income Requirements

	Total Current Cost	Total Cost IR	Total Difference
	Current Cost	Cost IR	Difference
Housing			
Mortgage or rent			
Second mortgage or rent			
Phone			
Electricity			
Gas			
Water and sewer			
Cable			
Waste removal			
Maintenance or repairs			
Supplies			
Subtotals			
Transportation			
Vehicle 1 payment			
Vehicle 2 payment			
Bus/taxi fare			
Insurance			
Licensing			
Fuel			
Maintenance			
Subtotals			
Insurance			
Home			
Health			
Life			
Subtotals			
Food			
Groceries			
Dining out			
Subtotals			
Children			
Medical			
Clothing			
School tuition			
School supplies			
Organization dues			
Lunch money			
Child care			
Toys/games			
Subtotals			
Pets			
Food			
Medical			
Grooming			
Toys			
Subtotals			
Personal Care			
Medical			
Hair/nails			
Clothing			
Dry cleaning			
Health club			
Organization dues or fees			
Subtotals			

Projected Retirement Income	
Income 1	
Income 2	
Extra income	
Total monthly income	
Actual Retirement Income	
Income 1	
Income 2	
Extra income	
Total monthly income	

Projected balance (Projected income minus expenses)	
Actual balance (Actual income minus expenses)	
Difference (Actual minus projected)	

	Current Cost	Cost IR	Difference
Entertainment			
Video/DVD			
CDs			
Movies			
Concerts			
Sporting events			
Live theater			
Subtotals			
Loans			
Personal			
Student			
Credit card			
Credit card			
Credit card			
Subtotals			
Taxes			
Federal			
State			
Local			
Subtotals			
Savings or Investments			
Retirement account			
Investment account			
College			
Subtotals			
Gifts and Donations			
Charity 1			
Charity 2			
Subtotals			
Legal			
Attorney			
Alimony			
Payments on lien or judgment			
Subtotals			

Retirement Checklist

LIFESTYLE			
Key Consideration	**Question**	**Answer**	**Notes**
Preferred style of living	Where do you plan to live after retirement?		
Preferred style of living	Do you plan to finish life at home or in assisted living?		

HEALTH			
Key Consideration	**Question**	**Answer**	**Notes**
Health insurance	What level of benefits will be required in a worst-case scenario?		
Medical	Have you compiled a list of your medical history, physicians, and current medication prescriptions?		
Long-term care	Does your family have a history of debilitating illness and/or long life expectancy?		

FINANCES			
Key Consideration	**Question**	**Answer**	**Notes**
Asset listing	Have you compiled a list of all the assets you or your spouse (if applicable) own? Do you update this list monthly?		
Asset protection	Based on a conservative investment strategy, will returns be enough to support your desired style of living?		
Tax minimization	At what tax rate will you be taxed during your later years?		
Life insurance	How do you plan to protect your beneficiaries?		
Estate planning	How do you want to pass your assets on to the next generation?		

LEGAL			
Key Consideration	**Question**	**Answer**	**Notes**
Friends and family	Have you compiled a list of contact information for your closest family and trusted friends?		
Wills	Do you have an updated will and living will prepared?		
Power of attorney (POA)	Who will handle your will or living will?		

Housing Considerations

After you have determined your cash flow, you can explore your housing options. Your primary concerns should be affordability and accessibility.

How Much Can I Spend on Housing?

The general rule is that housing should not exceed 33% - 40% of your total income while working. In retirement it should be less. Along with housing, transportation and food are generally the three largest expenditure categories in a budget. The quickest way for a spending plan to falter is to overspend in these “big three” areas. If overspending occurs, it becomes almost impossible to make up the difference in the smaller categories.

Some excellent online tools:

Cost of Living Calculator:
http://www.homefair.com/real-estate/cost-of-living.asp

Renting vs. Buying Calculator:
http://www.move.com/home-finance/financial-calculators/rent-vs-buy-calculator.asp

If You Can Buy a House With Cash, Should You?

The answer depends on a few more questions: what your cash flow will be in retirement, whether you will need extra cash on hand for other things, and what interest rates are at the time you take the loan.

The benefit of paying for the house in cash is no monthly payment. But having that cash in the bank gives you tremendous flexibility to withdraw from various retirement accounts in the most tax-advantageous way possible. Taking a smaller mortgage might be a good compromise for a young retiree. You’ll have a smaller mortgage that can be paid off once you are a few years into retirement and the flexibility of extra money if an opportuity or problemoccurs.

One additional item to consider is whether you’ll get any tax deductions from your mortgage payments if you take out the smaller loan. With a smaller mortgage, your payments may or may not be more than the standard deduction. To get any benefit from the federal income tax deductions, your interest payments on your mortgage along with your real estate tax payments must exceed your standard deduction. For 2013, the maximum standard deduction for most taxpayers was $12,200.

Home Health Care

Home health care assistance ranges from the care of one's most basic needs to specialized treatments. Costs can range from $50 to $150 per day. When choosing a home health care provider, look for:

1. Company licensing and insurance
2. Experience with your specific needs
3. Employee training and screening

A home health care provider is usually considered an employee by the IRS, so there is a duty to pay taxes on their wages. It is also worth noting that home health care may be a deductible expense.

Continuing Care Retirement Communities

This includes independent housing, assisted living, and nursing home facilities that allow the client to move as their health care needs change. When considering a retirement community, the determining factors should be cost, location, and comfort.

The average cost for a private room with basic care is $70,000 per year (2005, Consumer Reports). If current annual increases continue, rates will have risen to $175,000 per year by 2020. Health insurance and insurance supplements rarely pay for assisted living. Medicare pays for a limited time, based on limited eligibility. Medicaid will pay, but a means test must be met. Based on this, Medicaid pays for only 11% of all long-term care costs in the United States (2008, MetLife).

Be prepared to pay for your own care.
You must plan ahead.

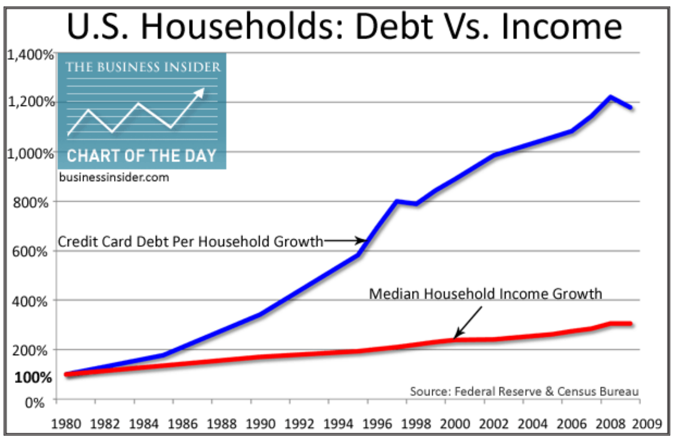
Appropriate Use of Debt

One sign that you are ready to retire: you are done relying on debt. Misuse of debt is the biggest problem facing pre-retirees today.

Credit Card Debt

Credit card debt should be paid in full each month. By carrying a credit card balance your money is working for the credit card company, not you.

The following chart compares the rate at which the average household income has risen over the past two decades against the growth of average credit card debt.



Pay in full!
No late fees!
No interest!

It's Impossible to Get Ahead:
5 Year, $5,000 Balance, 12% APR, 2% minimum monthly payment

Total	Payment	Interest	Balance	Balance
Yr 1:	$1,136	$568	$568	$4,432
Yr 2:	$1,007	$504	$504	$3,928
Yr 3:	$893	$446	$446	$3,483
Yr 4:	$791	$396	$396	$3,086
Yr 5:	$701	$351	$351	$2,736

Paying it back

The best way to tackle credit card debt is to get organized. Write down your balances, interest rates and due dates. Know when minimum payments are due and pay them on time.

Find a plan that works for you and stick to it.

- **Pay off the highest APR first:** makes most financial sense
- **Pay off the lowest balance first:** for motivation
- **Consolidate:** pay more than minimum, don't cheat

Consumer credit counseling - www.nfcc.org - if your debt will take longer than 3 years to pay off, you may need help.

Managing Family Debt

Children

Using debt appropriately is a life-long skill. Understanding the concept of good financial planning is a complex process—the earlier one gets started, the better. Once they learn how money works, children often display an instinctive conservatism. An allowance can be an effective teaching tool. When your kids are young, giving them small amounts of money helps them prepare for the day when the numbers will get bigger.

The lessons shouldn't stop when they become teens. Teaching high school age kids about banking and credit will make them more savvy when they leave the nest. Don't be afraid to teach investing early. High schoolers can and should be taught about the market. Having conversations and sharing information about investments will encourage children to develop good money habits.

Adult Children

Help your children avoid the credit card trap. It can be tempting to pay off credit cards for them, but in the long run opting to pay for something very essential like their medical insurance is a wiser choice.

- 84% of undergrads have credit cards
- 50% have 4 or more cards
- Average student loan debt per undergrad is $25,250 upon graduation

Senior Citizens

Keep a close eye on aging parents. You may want to step in and offer to take over their day-to-day bill paying before you need to, or before it's too late. By the time the need is apparent, the damage may already done.

- 65+ average $5,000 in credit card debt
- Group with fastest growing credit card debt
- 149% debt increase between '95-'04
- 39% of debt due to medical expenses

Loans

Education

On average, students receiving a Bachelor's degree from a 4 years university will graduate with around $25,250 in student loan debt; Master's students around $40,200; and Doctoral students almost $60,000. 15% of parents of graduating seniors take out loans to pay for their children's education.

We recommend the two-year payback rule. Taking out loans for education can be an investment, but only if you invest wisely. While it may be impossible to make a completely accurate prediction, evaluate your current financial situation, your financial situation while in school, and your options upon graduation to determine if you will be able to pay back the money you have borrowed within two years of graduation.

Studentsq should consider supplementing loans by working full or part-time. Also, put forth the effort to find scholarships and fellowships. And finally, look into alternative forms of education like night classes, on-line classes, and community college credits that will later transfer to major universities.

Auto

When does it make sense to get a car loan?

It is always better to be prepared to pay cash but sometimes a loan makes sense.

The popular "0% interest" isn't necessarily that great. Usually, hidden fees will more than make up for the savings in interest.

When considering a loan, make sure to look for low interest with a short payback – no more than two years. Look at credit union rates and discounts instead of dealership based lending.

Borrowing from your Thrift Savings Plan (TSP)

You can borrow from your TSP account if:

1. You have at least $1,000 of your own contributions and associated earnings in your account. Agency contributions (and earnings on that money) cannot be borrowed.
2. You are currently employed as a federal civilian employee or member of the uniformed services. (Separated and retired TSP participants are not eligible.)
3. You are in pay status – not retired. (Loan payments are deducted from your pay.)
4. You have not repaid a TSP loan (of the same type) in full within the past 60 days.
5. You have not had a taxable distribution on a loan within the past 12 months, unless the taxable distribution resulted from your separation service.

Borrowing from your TSP may result in sacrificing potential growth; tax deferred growth and compounding of earnings and contributions. Further, you should take into consideration lost opportunity costs, a 10% early withdrawal penalty if the account owner is younger than 59 1/2 at time of loan default, and mandatory repayment before retirement or leaving federal service.

Should I borrow from my TSP plan?

How much do you want to borrow from your TSP plan?	$	5,000
What rate of return do you expect to earn from your TSP investments?		8 %
What interest rate will you pay on your loan?		4 %
How long will you take to pay back the loan?		4 years
How many years will it be until you retire?		35 years
If loan is repaid on time you will lose:	**$**	18,739
If loan is not repaid, you face additional taxes and a 10 percent penalty. Your loss rises to:	**$**	87,962

Financial Planner's Advice: Don't borrow unless the money is for the first home down payment and you are younger than 35.

Mortgage

Always shop around for the best deal. Shopping, comparing, and negotiating may save you thousands of dollars. Obtain all important cost information. Know how much of a down payment you can afford, and find out all the costs involved in the loan. Knowing just the amount of the monthly payment or the interest rate is not enough.

The following information is important to get from each lender or broker:

Rates

Ask each lender and broker for a list of its current mortgage interest rates and whether the rates being quoted are the lowest for that day or week.

- Ask whether the rate is fixed or adjustable.
- On an adjustable-rate loan, ask how your rate and payment will vary.
- Ask about the loan's annual percentage rate (APR). The APR takes into account not only the interest rate but also points, broker fees, and certain other credit charges

Points

Points are fees paid to the lender or broker for the loan and are often linked to the interest rate.

- Ask for points to be quoted to you as a dollar amount.

Fees

A home loan often involves many fees, such as loan origination or underwriting fees, broker fees, and transaction, settlement, and closing costs. Every lender or broker, by law, should be able to give you an estimate of its fees. Many of these fees are negotiable

Down payments and private mortgage insurance

Some lenders require 20 percent of the home's purchase price as a down payment.
If a 20 percent down payment is not made, lenders usually require the home buyer to purchase private mortgage insurance (PMI) to protect the lender in case the home buyer fails to pay.

- If PMI is required for your loan, ask:
- What the total cost of the insurance will be?
- How much your monthly payment will be when including the PMI premium?
- How long you will be required to carry PMI?

Should You Pay Off Your Mortgage Before Retirement?

Pros

- Will reduce the need for cash flow in retirement.
- Peace of Mind
- Sense of Accomplishment

Cons

- Time Value of Money
- Potential Better Rate of Return Elsewhere
- Flexibility

Reverse Mortgages

A reverse mortgage is a loan that lets you convert a portion of the equity in your home into cash. The equity that has built up over years of home mortgage payments can be paid to you. But unlike a traditional home equity loan or second mortgage, no repayment is required until the borrower(s) no longer use the home as their principal residence. You do not need to repay the loan as long as you or one of the borrowers continues to live in the house and keeps the taxes and insurance current. When you sell your home, you or your estate will repay the cash you received from the reverse mortgage plus interest and other fees, to the lender. The remaining equity in your home, if any, belongs to you or to your heirs.

The amount you can borrow depends on your age, the current interest rate, and the appraised value of your home or FHA's mortgage limits for your area, whichever is less.

When does a Reverse Mortgage make sense?
The honest answer is: rarely.

The following example is a true story from the Washington Post (Sept. 2009):

A married couple in their 70's could not afford their mortgage. Their home was valued at $125,000, and the mortgage stood at $75,000. A $92,000 Reverse Mortgage was decided on, which would pay off the existing mortgage, as well as transaction costs and provide them $6,000 cash. However, the 2009 FHA Reverse Mortgage reduction would limit the amount available to them to $83,250; probably not enough to cover the old mortgage and pay procedural costs. Further, they would have completely converted the equity in their home.

Is a Reverse Mortgage really the best answer to their problems?

Home Equity Line of Credit

A home equity loan is a loan that uses your home as collateral. The part of your home that you actually own is the guarantee for your loan. Since your home guarantees your loan, if you default on the payments, you could lose your home. While most home equity lines of credit have a variable interest rate, a fixed interest rate can sometimes be negotiated. A home equity line of credit is 'revolving', meaning you can borrow money, pay off the borrowed money and then re-borrow that money

A lower interest rate and tax deductions are the two major advantages home equity loans have over other types of debt. Since a home equity loan is secured by your home, it poses less risk to a lender than does a non-secured personal loan or credit cards. This lower risk is passed on to you in the form of a lower interest rate. The interest you pay on the first $100,000 you borrow is tax deductible.

Getting Serious About Debt Reduction

A debt elimination calendar can help you reduce or eliminate debt. List the payment for the debt you want to pay off first and continue across the columns. Next, list the due date. After you have repaid the first creditor, add that amount to the next creditor, continue this process until all loans are repaid.

Credit Control List

Period from [date] to [date]

Account #	Account Name	Date Opened	Credit Line	Credit Available	Credit Used	Up To Date	30 days	60 days	90+ days
		TOTALS							

Investing and IRA's

An ideal investment should have four characteristics:

1. Complete Safety
2. Liquidity
3. High Yield
4. Growth (Greater than inflation)

Unfortunately, no single investment vehicle exists that satisfies all of these characteristics. Your task is to combine those investment characteristics best suited to your needs.

Below are a few factors to consider when choosing among different investments:

Security of Principal: For many investors, security of principal and income is the most important factor. The four most commonly recognized risks are:

Financial Risk: The issuers of the investments may experience financial difficulties and not be able to live up to their promises or expectations.

Market Risk: The result of price fluctuations for a whole securities market, for an individual group, or for an individual security.

Interest Rate Risk: The price changes of existing investments because of changes in the general level of interest rates in the capital markets.

Purchasing Power Risk: Involves the uncertainty of future purchasing power of the income and principal from an investment

Rate of Return (yield): The purpose of investing is to earn a return on your capital. This return can take a variety of forms including interest, dividends or capital gains. Investors normally want to maximize their total investment returns. Increasing investment risks will be directly related -- the higher the yield, the greater the risk.

Diversification: The basic purpose of diversification is to reduce or minimize an investor's risk or loss. It is primarily a defensive type of investment policy.

To achieve investment success, it is important to key your investment strategy to your individual financial needs and objectives, be knowledgeable of tax effects, and allow time to work in your favor.

The Time Value of Money

Start saving and investing early. When you put money in savings or investments, the amount you save or invest is the principal. The principal earns interest, which is added to the original principal. This process is called compounding. The following chart detail the dramatic growth that results from early contributions to a Traditional IRA.

Here is a dramatic example of why it pays to start saving and investing early.

Imagine the following scenario:

Alletta starts investing $1,000 a year at the age of 22 in a tax-deferred individual retirement account (IRA). Tax-deferred means the earnings and the principal aren't taxed until the money is withdrawn, usually years later.

Alletta quits putting money in the IRA after nine years, at age 31, but leaves her money so it will grow through compounding until she reaches retirement age.

Her twin brother, Cory, doesn't start investing $1,000 until age 31. But once he starts, he invests $1,000 in his IRA every year for 34 years, until he reaches retirement age.

Alletta and Cory both earn 9 percent annually on their IRAs. Who has the most money accumulated in their IRA for retirement at age 65?

Look at the chart below—you may be surprised.

	Alletta's IRA	**Cory's IRA**
Interest rate	**9%**	**9%**
Number of years of contributions	9	34
Age when investing/saving	**22 – 31**	**31–65**
Total Amount contributed	**$1,000 per year for 9 years (or $9,000)**	**$1,000 per year for 34 years (or $34,000)**
Future value @ age 65	**$243,863**	**$196,982**

Traditional IRA vs. Roth IRA

	Traditional	Roth
Who is eligible?	Any person with earned income who is under 70 ½ years old A nonworking spouse under age 70 ½ who files a joint return that includes earned income	Single Filer, with MAGI: less than $114,000 - full contribution less than $129,000 - partial contribution greater than $129,000 - not eligible Joint Filer, with MAGI: less than $181,000 - full contribution less than $191,000 - partial contribution greater than $191,000 - not eligible Married, filing separately with MAGI: no income – full contribution less than $10,000 – partial contribution more than $10,000 – not eligible
Maximum Annual Contribution	$5,500 $1,000 additional contribution if 50 years old or older	$5,500 $1,000 additional contribution if 50 years old or older (subject to modified adjusted gross income phase out range)
Deductible Contributions	Single filer, retirement plan participant with MAGI of: $60,000 or less – fully deductible $70,000 or less – partial deductible $70,000 or more – nondeductible Single filer, no retirement plan participation Fully deductible Joint filer, retirement plan participant with MAGI of: $96,000 or less – fully deductible $116,000 or less – partial deductible $116,000 or more – nondeductible Joint filer, no retirement plan participation with MAGI of: $178,000 or less – fully deductible $188,000 or less – partial deductible $188,000 or more – nondeductible	NONE of the contribution is tax-deductible 2014 Tax Year

	Traditional	Roth
Distributions	Distributions from contributions and earnings can taken after 59 ½ without penalty. Mandatory withdrawals must begin at age 70 ½ <u>Premature distributions are subject to a 10% penalty unless:</u> You're 59 ½ - Disabled - Substantial and equal periodic payments - Used to pay certain medical bills - Health insurance premiums during at least 12 weeks of unemployment - Purchase of a first home (10K limit) - Certain military personnel - Beneficiary of a deceased IRA owner Distributions to your beneficiaries are exempt from the 10% penalty	Distributions from contributions can be made at any time without taxes or penalty. Distributions from earnings are tax-free after: 5 years from initial contribution - You're 59 ½ - Disabled - Purchasing first home Payments made to your beneficiaries after the 5 year periods are also tax and penalty free. Payments made before the end of the 5 year period are penalty free. Distributions from earnings are not subject to the 10% penalty as long as you qualify for the same traditional IRA exemptions Distributions from a conversion amount must satisfy a 5 year investment period to avoid the 10% penalty
Required Minimum Distributions	Must begin no later than April 1st of the year following the year you turn 70 ½	No RMD applies before your death. After death, traditional IRA distribution rules apply for your beneficiaries

Conversion

Beginning January 1, 2010 all individuals - no matter their age or income - will be permitted to convert a traditional IRA to a Roth IRA. One consequence of the conversion to keep in mind is the Federal and State taxes due. When an individual converts a traditional IRA into a Roth IRA, the individual has to pay income tax on all pre-taxed contributions and tax-deferred earnings that are included in the converted amount.

Federal and State Income Taxes

With a conversion of a traditional IRA to a Roth IRA, federal and state income taxes must be paid on any pre-taxed contributions and any accrued earnings in the traditional IRA. The trickiest part of paying tax in a Roth conversion involves the IRS' "pro-rata" rule. Under the "pro-rata" rule, a traditional IRA owner cannot arbitrarily choose which IRA assets to convert.

The following example will help in understanding the "pro-rata" rule associated with Roth IRA conversions:

- Sam, a federal employee, has a rollover (traditional) IRA from a previous employer's pension plan with a balance of $300,000.
- Sam also has a traditional IRA with a current value of $60,000.
- The traditional IRA consists of $20,000 in accrued earnings and $40,000 in nondeductible (previously taxed) IRA contributions made over a period of years between 1987 (when non-deductible traditional IRAs started) and 2008.
- Sam would like to convert the already taxed $40,000 to a Roth IRA and not pay any taxes.
- But instead Sam must follow the" pro-rata" rule.

The IRS requires that Sam must first combine the balances of all of his traditional IRAs:
in this case $360,000.

Then he must divide his nondeductible contributions of $40,000 by $360,000.

This gives Sam the percentage of 11.1 percent of any conversion that is tax-free.

So if Sam wants to convert $50,000 of his traditional to a Roth during 2010, then the amount of the conversion that will be tax-free is:

11.1% of $50,000 = $5,556

That means that of the $50,000 being converted, Sam will have to pay federal and state income taxes on $50,000 less $5,556, or $44,444 of income.

Advantages to Converting to a Roth IRA

- Avoid Taxes in the Future: Roth IRAs grow tax free. No taxes are owed when you decide to withdraw your money
- No Required Minimum Distributions (RMD): Roth IRAs do not require RMDs after age 70 ½, so your money can continue to grow tax free

Prime Candidates for Roth IRA Conversion

- Younger individuals will have more time to recoup income tax payments on the conversion. The quicker you reach the break even point the better off you will be
- Peopl who don't need the money for retirement, then the conversion allows you to avoid taking RMD's and leave the income tax-free money to heirs

Individuals Who Should Think Twice

- People who do not have the money to pay the income taxes on the converted amount, then converting to a Roth IRA is probably not a wise choice.
- People who will be in a lower tax bracket in the future, could pay less in tax by waiting. Example - moving to a state that doesn't have income tax

Thrift Savings Plan

Before investing, consider the funds' investment objectives, risks, charges and expenses. Read the full prospectus carefully for this information.

The Thrift Savings Plan (TSP) is a tax-advantaged retirement savings plan for Federal employees. The retirement income you receive will depend on how much you contribute and how you allocate your money among the various investment choices.

Before investing in individual TSP funds, consider the fund's investment objectives, risks, charges, and expenses. Then, link your asset selection to your goals: assets for short-term goals need to be out of the market, assets for long-term goals need to be in the market. Just signing up isn't enough, fund selection is key!

G Fund
Government Securities Investment Fund

Key Features:

The G Fund offers the opportunity to earn rates of interest similar to those of long-term Government securities but without any risk of loss of principal and very little volatility of earnings. The objective of the G Fund is to maintain a higher return than inflation without exposing the fund to risk of default or changes in market prices. The G Fund is invested in short-term U.S. Treasury securities specially issued to the TSP. Payment of principal and interest is guaranteed by the U.S. Government. Thus, there is no "credit risk."

By law, the G Fund must be invested in nonmarketable U.S. Treasury securities specially issued to the TSP. The G Fund investments are kept by electronic entries which do not involve any transaction costs to the TSP.

F Fund
Fixed Income Index Investment Fund

Key Features:

The F Fund offers the opportunity to earn rates of return that exceed those of money market funds over the long term, with relatively low risk. The risk of nonpayment of interest or principal (credit risk) is relatively low because the fund includes only investment-grade securities and is broadly diversified. However, the F Fund has market risk (the risk that the value of the underlying securities will decline) and prepayment risk (the risk that the security will be repaid before it matures).

By law, the F Fund must be invested in fixed-income securities. The Barclays Capital U.S. Aggregate Bond Index is comprised of Treasury and Agency bonds, asset-backed securities, and corporate and non-corporate bonds.

C Fund
Common Stock Index Investment Fund

Key Features:

The C Fund offers the opportunity to earn a potentially high investment return over the long term from a broadly diversified portfolio of stocks of large and medium-sized U.S. companies. By law, the C Fund must be invested in a portfolio designed to replicate the performance of an index of stocks representing the U.S. stock market (they have chosen the S&P 500).

There is a risk of loss if the S&P 500 Index declines in response to changes in overall economic conditions (market risk).

S Fund
Small Capitalization Stock Index Investment Fund

Key Features:

The S Fund offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of small and medium- sized U.S. companies. There is a risk of loss if the Dow Jones U.S. Completion TSM Index declines in response to changes in overall economic conditions (market risk).

By law, the S Fund must be invested in a portfolio designed to replicate the performance of an index of U.S. common stocks, excluding those that are held in the C Fund.

I Fund
International Stock Index Investment Fund

Key Features:

The I Fund offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of companies in developed countries outside of the United States.
The objective of the I Fund is to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index.

There is a risk of loss if the EAFE Index declines in response to changes in overall economic conditions (market risk) or in response to increases in the value of the U.S. dollar (currency risk).

L Funds
Lifecycle Funds

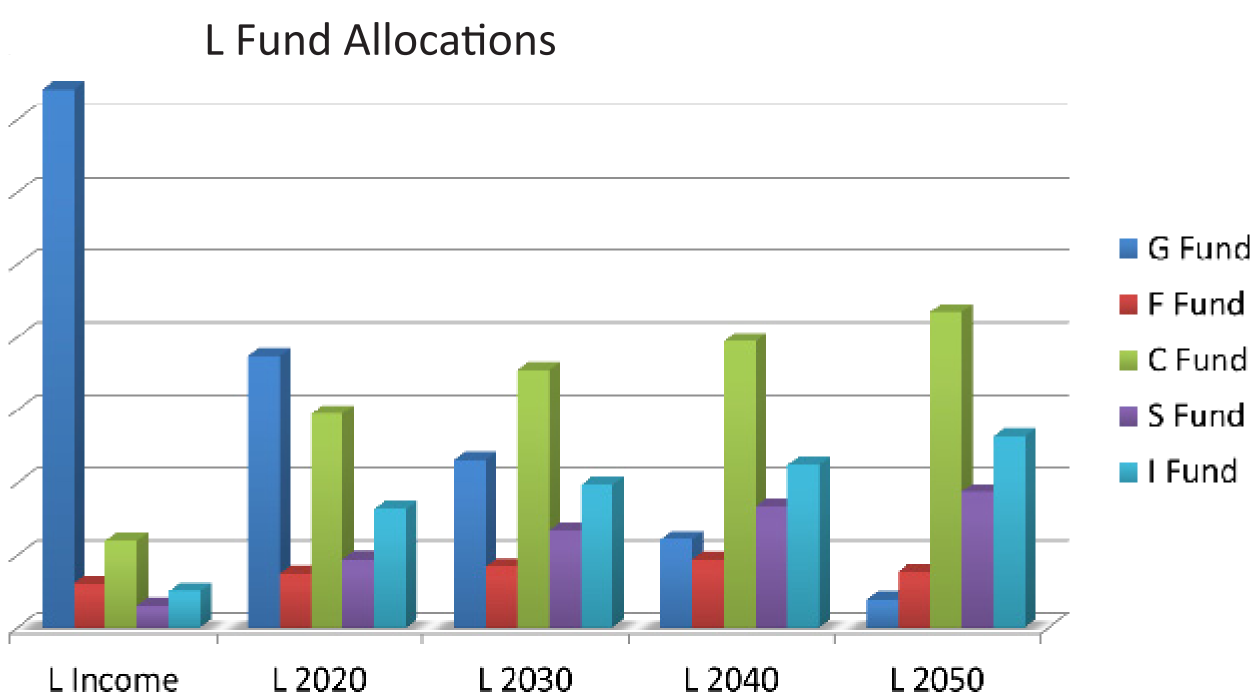
Key Features:

The L Funds diversify participant accounts among the G, F, C, S, and I Funds using professionally determined investment mixes (allocations) that are tailored to different time horizons. The L Funds are rebalanced to their target allocations each business day. The investment mix of each fund adjusts quarterly to more conservative investments as the fund's time horizon shortens.

The objective of the L Funds is to provide the highest possible rate of return for the amount of risk taken. Investing in the L Funds is not a guarantee against loss and does not eliminate risk. The L Funds are subject to the risks inherent in the underlying funds, and can have periods of gain and loss.

The L Funds' returns will be approximately equal to the weighted average of the G, F, C, S, and I Funds' returns. Earnings are calculated daily, and there is a daily share price for each L Fund.

Fund	Growth	Preservation of Assets
L 2050	High	Very Low
L 2040	High	Low
L 2030	Moderate/High	Low
L 2020	Moderate	Moderate
L Income	Low	High



Roth TSP vs. Traditional TSP

The Treatment of…	Traditional TSP	Roth TSP
Contributions	Pre-tax	After-tax
Your Paycheck	Taxes are deferred, so less money is taken out of your pay-check.	Taxes are paid up front, so more mon-ey comes out of your paycheck
Transfers in	Transfers allowed from eligible employer plans and traditional IRAs	Transfers allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s
Transfers Out	Transfers allowed to eligible employer plans, traditional IRAs, and Roth IRAs	Transfers allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs
Withdrawals	Taxable when withdrawn	Tax-free earnings if five years have passed since January 1 of the year you made your first Roth contribution, AND you are age 59½ or older, perma-nently disabled, or deceased

Factors to be mindful of when considering the ROTH TSP option:

- You will potentially have TWO types of balances, a traditional (non-Roth) TSP balance and a Roth TSP balance.
- While you may elect where your contributions are allocated, agency contributions will AL-WAYS go into your traditional (non Roth) balance.
- Money already in your account will remain part of your traditional balance, you CANNOT convert it to Roth.

TSP at Retirement

Should you leave your money in the TSP?

When you separate from service, you can leave your entire account balance in the TSP if it is above $200. However, you can transfer money into your account from IRAs and eligible employer plans. Your account will continue to accrue earnings and you can continue to change the way your money is invested in the TSP investment funds by making interfund transfers. You can make two interfund transfers per month into any fund, after which your interfund transfers can only move money <u>into</u> the G fund.

There are limitations on leaving your money in the TSP. Beware of withdrawal deadlines. If you do not withdraw (or begin withdrawing) your account by the required withdrawal deadline, your account balance will be forfeited to the TSP. You can reclaim your account; however, you will not receive earnings on your account from the time the account was forfeited.

Should you withdraw from your TSP Account?

<u>Partial Withdrawal:</u>
You are eligible to make one partial withdrawal so long as you did not make an age-based in-service withdrawal (at age 59½ or older) from your TSP account while you were employed by the federal government or the uniformed services. The withdrawal must exceed $1,000.

<u>Full Withdrawal:</u>
A single payment.
A series of monthly payments.
A life annuity: the TSP will purchase an annuity for you from the TSP 's annuity provider (Met-Life) for a minimum amount of $3,500. The annuity provides monthly income for life, and is taxed as ordinary income.

<u>Mixed withdrawal:</u>
You can withdraw your entire account balance through a combination of any two, or all three, of the available withdrawal options. The rules for each of the options that you choose will be the same as those described above.

Transferring Your Withdrawal

Your TSP account is a portable retirement benefit. This means that when you make a full or partial withdrawal of your account after you leave service, you can have the TSP transfer part or all of your single payment or certain monthly payments to an IRA or an eligible employer plan (for example, the 401(k) plan of a new employer). Amounts transferred will retain their tax-deferred status until you withdraw your money.

Voluntary Contributions (CSRS only)

Eligibility

If you are an employee covered by the Civil Service Retirement System (CSRS), or the CSRS Offset provisions, and you want to receive a larger annuity than would be payable based on your service and "high-3," you may establish a voluntary contribution account to purchase additional annuity. However, if you owe a deposit or redeposit for civilian service that wasn't covered by retirement or for which you received a refund, you will be eligible to make voluntary contributions only after the deposit or redeposit is paid. Also, if you previously made voluntary contributions and received a refund of those contributions, you may not make voluntary contributions again, unless you had a break in service after receiving the refund.

If you are covered by the Federal Employees Retirement System (FERS), you are not eligible to make voluntary contributions. You may, however, retain funds on accounts that you deposited while subject to the CSRS.

Amount of Additional Annuity

At retirement, each $100 in your voluntary contributions account (including interest earned) will provide an additional annuity of $7 per year, plus 20 cents for each full year you are over age 55 at the time you retire. You may also choose to share the additional annuity by electing to provide a survivor annuity. However, your additional annuity would then be reduced by 10% to 40% depending on the difference between your age and the age of the person designated to receive the survivor annuity.

Any person related or unrelated to you may be designated, and need not be the same person for whom regular survivor annuity benefits were elected.

Note: Voluntary contributions annuities are not increased by cost of living increases.

Interest

Voluntary contributions earn a variable interest rate determined by the Treasury Department each calendar year, based on the average yield of new investments purchased by the Retirement Fund during the previous fiscal year. The interest credited to each voluntary contributions account is compounded annually on December 31. Interest accrues to the date of the refund calculation, separation (including retirement), or transfer to a position not subject to CSRS or Federal Employees Retirement System, whichever is earliest. If you expect to be leaving Federal service, you can avoid having a period of time during which your funds are not earning interest by planning ahead.

Limitations on Voluntary Contributions

Voluntary contributions may be made only in multiples of $25. Total contributions may not exceed 10% of the total basic pay you received during all of your Federal service. The 10% limit test applies at each point of time that a deposit is made and is not based upon a projection of lifetime earnings.

Refund of Voluntary Contributions

You may withdraw all voluntary contributions with interest at any time before receiving an annuity based on those contributions. If you die while still in federal service (or after leaving but before you begin to receive annuity benefits), the voluntary contributions account, plus interest, will be paid to your survivors as a lump-sum payment.

If you die after retirement, but before having received additional annuity payments equal to your voluntary contributions plus interest, the difference will be paid either as a lump sum or in additional survivor annuity payments, depending upon your election at retirement.

Federal Taxation of Voluntary Contributions

If you take a refund of voluntary contributions, any accrued interest is taxable in the tax year in which you receive it. In addition, if you receive the refund before you reach age 59½, the interest portion of the refund is subject to an additional 10% early distribution tax.

Payments to survivors are not subject to the 10% tax. To determine whether the tax applies to you, use the Internal Revenue Service Form 5329 from, available at your local Internal Revenue Service office. The interest portion of the refund is eligible for rollover treatment.

If you will receive an additional annuity as a result of your voluntary contributions, it will be taxed under the "General Rule." Please refer to IRS Publication 721 "Comprehensive Tax Guide to U.S. Civil Service Benefits" for further information.

Direct Transfers to Roth IRAs

Effective for distributions after Dec. 31, 2007, new tax law allows transfers from a qualified retirement plan, tax-sheltered annuity or governmental plan directly to a Roth IRA. Such transfers will be treated as a Roth conversion if all other conversion qualifications are met. The primary conversion qualification was a limit on your modified adjusted gross income of $100,000. That limit was waived in 2010.

Estate Planning

Estate planning should be done early. As soon as you start to gather assets and take responsibility for others, you should start planning. It's a good rule of thumb to review your plans every three years or whenever there's a material change in your family's lifestyle, such as a marriage, a divorce, the birth of children, death, etc.

Wills

If you don't make a will or use some other legal method to transfer your property when you die, the state will determine what happens to your property.

Non-probate assets transfer automatically to the new owner (joint tenancies, IRAs, etc.). All other assets are subject to probate. Probate is the legal process of administering the estate by resolving all claims and distributing the deceased person's property under the valid will.

Without a valid will, assets in probate are distributed according to state intestacy laws. Generally, it will go to your spouse and children or other descendants. If no relatives can be found to inherit your property, it will go to the state. Further, in the absence of a will, the court will determine who will care for your young children and their property if the other parent is unavailable or unfit to do so.

If you are part of an unmarried couple without a will, your surviving partner will not inherit anything unless you live in one of the few states that allow registered domestic partners to inherit like spouses: California, Connecticut, District of Columbia, Maine, New Jersey, and Vermont.

<u>Functions of a Will</u>

1. Transfer of property at death.
2. Leave property to party who would not inherit under the state's intestacy laws.
3. Prevent a person who would inherit under the state's laws from inheriting.
4. Leave property to heirs in unequal shares.
5. Name an executor for the estate.
6. Nominate a guardian for minor children.
7. Name a custodian to hold and manage assets passing to named beneficiaries.
8. Establish trusts to take effect at death.

<u>What a will cannot do</u>

1. Distribute nonprobate assets – wills do not override beneficiary designations.
2. Avoid probate.
3. Change statutory rights- in many states a surviving spouse by law is entitled to a share of the estate and generally a will cannot disinherit a spouse.

Advanced Directives

Durable Power of Attorney, Health Care Directives, & Living Will

Under the common law, a power of attorney becomes ineffective if its grantor dies or becomes incapacitated. The grantor must specify that the power of attorney will continue to be effective even if the grantor becomes incapacitated. This is a durable power of attorney.

In some jurisdictions, a durable power of attorney can also be a Health Care Power of Attorney: an advance directive which empowers the proxy to make health care decisions for the grantor, up to and including terminating care on machines keeping a critically and terminally ill patient alive. Health care decisions include the power to consent, refuse consent, or withdraw consent to any type of medical care, treatment, service or procedure. A living will is a written statement of a person's health care and medical wishes, but does not appoint another person to make health care decisions.

A type of advance directive, "Five Wishes" includes:

1. The Person I Want to Make Care Decisions for Me
2. The Kind of Medical Treatment I Want or Don't Want
3. How Comfortable I Want to Be
4. How I Want People to Treat Me
5. What I Want My Loved Ones to Know

Meets legal requirements of 42 states (including MD, DC, & VA)

http://www.agingwithdignity.org/five-wishes.php

Trusts

A trust is a property reliance held by one person for the benefit of another. Unlike a will, a trust is private and confidential. The size of the estate and the purpose of the trust determine what kind of trust is appropriate.

Functions of a Trust

- Provide and manage assets efficiently for minors or incompetent beneficiaries.
- Asset protection and tax planning: protection from creditors and certain taxes.
- Various Purposes: charitable, special needs, protective, etc.
- Living or Testamentary: effective in life or at death.
- Revocable or Irrevocable: the right to amend, change, or terminate at any time.

Revocable Living Trust

A Revocable Living Trust is necessary in planning for incapacity. With this kind of trust, you may still control property and amend the trust while you have the capacity to do so. Further, the trust allows you to set the standards of the trust, set the definition for incapacity, and allows you to decide who manages and distributes the assets.

Inheritance and Estate Taxes

An inheritance tax is an assessment made on the portion of an estate received by an individual. It differs from an estate tax which is a tax levied on an entire estate before it is distributed to individuals. It is strictly a state tax. Eleven states still collect an inheritance tax. They are: Connecticut, Indiana, Iowa, Kansas, Kentucky, Maryland, Nebraska, New Jersey, Oregon, Pennsylvania and Tennessee. In all states, transfers of assets to a spouse are exempt from the tax. In some states, transfers to children and close relatives are also exempt.

Estate-tax changes are inevitable. Under current law, the basic federal estate-tax exemption for 2014 is $5,340,000.00, and the top estate-tax rate is 40%. (Transfers between spouses typically are tax-free.)

Another factor to consider: Many states impose their own death-related taxes.

In most states, estate and inheritance taxes are designed in such a way that states face either a full or partial loss of estate tax revenues as this credit is phased out. States can avert this loss of revenue by "decoupling." Decoupling means protecting the relevant parts of their tax code from the changes in the federal tax code, in most cases by remaining linked to federal law as it existed prior to the change.

Sixteen states and the District of Columbia have retained their estate taxes after the federal changes. Of these, 14 states -- Illinois, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, North Carolina, Oregon, Rhode Island, Vermont, Virginia, and Wisconsin -- and the District of Columbia decoupled from the federal changes. Two states -- Nebraska and Washington -- retained their tax by enacting similar but separate estate taxes.

Of these, 12 states acted to decouple from the federal changes. Illinois, Maine, Maryland, Massachusetts, New Jersey, Rhode Island, and Vermont enacted legislation linking their estate taxes to the federal estate tax as in effect before the 2001 tax bill. Minnesota, which passes a tax conformity package each year, explicitly elected not to change its estate tax to conform to the federal changes. North Carolina elected to decouple at least through 2005, and Wisconsin has decoupled through 2007. Nebraska decoupled by creating a separate state estate tax on estates that exceed $1 million based on the federal law before the 2001 changes. In 2005, Washington enacted a separate tax with a somewhat different rate structure that applies to estates that exceed $2 million after the state's original decoupling was nullified in court.

In addition, five states and the District of Columbia will remain decoupled unless they take legislative action. In five states -- Kansas, New York, Ohio, Oregon, and Virginia -- and the District of Columbia, estate tax laws are written in such a way that the state will not conform to the federal changes unless it takes legislative action.

NOTE: State laws change frequently and the following information may not reflect recent changes in the laws. For current tax or legal advice, please consult with an accountant or an attorney since this information is not tax or legal advice and is not a substitute for tax or legal advice.

Steps in the Estate Calculation

1. Calculate the Gross Estate, including
   - 100% of everything you own in your name
   - 50% of everything owned jointly with your spouse
   - All assets in a revocable, living trust
   - The death benefit value of life insurance owned by you, on your life
2. Subtract Expenses and Debts
   - Expenses must be reasonable and include professional fees, funeral expenses, etc.
3. Subtract Deductions
   - Marital (if to U.S. Citizen spouse)
   - Charitable
4. Add Adjusted Taxable Gifts
   - If you have made taxable gifts during your lifetime (over $14,000 per person per year), the amount over $14,000 comes into the calculation at this point and often has the effect of placing the estate in a higher marginal tax bracket.
5. Calculate the Federal Estate Tax Due
   - Rates start at 18% and increase to 40%.
6. Subtract Gift taxes Paid
   - If you have made taxable gifts during your lifetime and paid a tax, you take credit for it here.
7. Subtract the Unified Credit
   - Unless used during lifetime to offset gift taxes, everyone has a credit of $2,081,800 (the tax on $5 million).
8. Add Other Taxes due at this time
   - Generation Skipping Tax.
   - Excess Accumulation in Retirement Plans.

Charity

While planning, don't' forget that being generous can also reduce taxes. Giving to charity can result in an income tax deduction. For example: a donor in the 33% tax bracket giving $100 to charity will result in $33 of income tax savings.

Document and itemize!

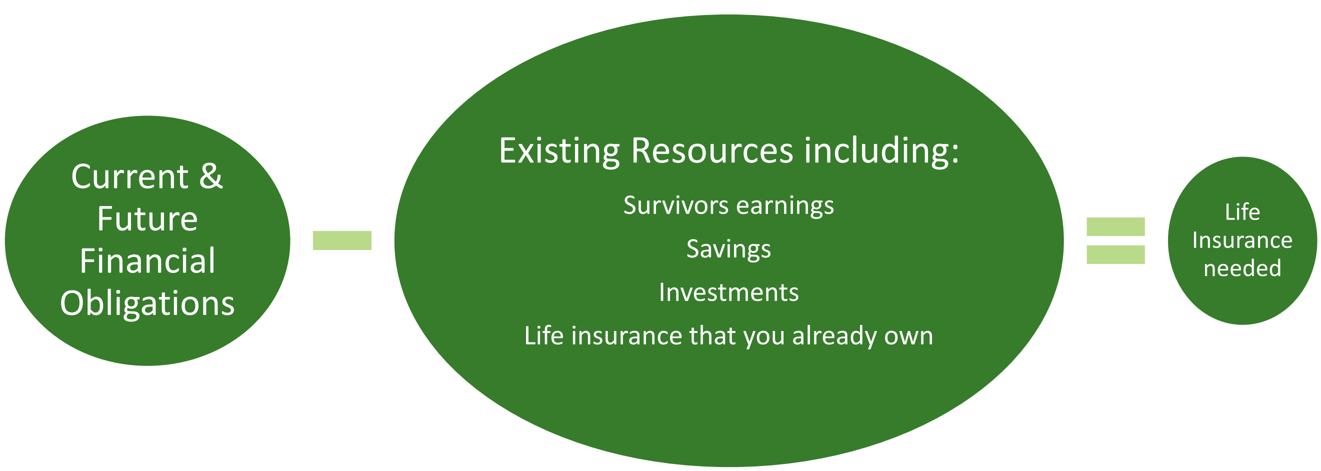
Life Insurance

How Much Life Insurance Do I need?

The answer isn't really how much life insurance you need, its how much money your family will need after you're gone. Ask yourself:

1. How much money will my family need after my death to meet immediate expenses, like funeral expenses and debts?
2. How much money will my family need to maintain their standard of living over the long run?

The most common way to determine your life insurance needs is by conducting what's called a Capital Needs Analysis. Start by gathering all of your personal financial information and estimate what each of your family members would need to meet current and future financial obligations. Then tally up all of the resources that your surviving family members could draw upon to support themselves. The difference between their needs and the resources in place to meet those needs is your need for additional life insurance.



How Much Life Insurance Do I Need?

Things to Think About	Assuming Spouse 1 Dies First	Assuming Spouse 2 Dies First
Current annual living expenses?		
Today's cost of tuition, room & board?		
Rate of inflation?		
Estimated funeral expenses?		
Mortgage balance?		
Other loan balances?		
Liquid assets?		
Current life insurance coverage?		
Spouse's current after-tax salary?		
Social Security survivor benefits?		
Estimated yield on investments?		

Child's Name	Years Until College

Computation of Life Insurance Needs	If Spouse 1 Dies First	If If Spouse 2 Dies First
Mortgage balance		
Other loan balances		
College fund		
Dollars needed at death		

Analysis of Annual Cash Flow of Survivors	Spouse 1	Spouse 2
75% of annual living expenses		
Less:		
Spouse's current after-tax salary		
Social Security survivor benefits		
Net annual cash flow surplus or (deficit)		

Additional Life Insurance Needed:	Spouse 1	Spouse 2
Dollars needed at death		
Liquid assets		
Current life insurance coverage		
Additional insurance needed or (surplus)		

Types of Life Insurance:

Term

As the name implies, term insurance provides protection for a specific period of time and generally pays a benefit only if you die during the "term." Term periods typically range from one year to 30 years, with 20 years being the most common term.

One of the biggest advantages of term insurance is its low cost in comparison to permanent insurance. Term insurance is cheaper because you're generally just paying for the death benefit, the lump sum payment your beneficiaries will receive if you die during the term of the policy. With most permanent policies, your premiums help fund the death benefit and can accumulate cash value.

Term insurance is often the best choice for people in their family-formation years because it allows them to buy high levels of coverage when the need for protection is often greatest. Term insurance is also a good option for covering needs that will disappear in time. For instance, if paying for college is a major financial concern but you're pretty sure that you won't need life insurance coverage after the kids graduate, then it might make sense to buy a term policy that will get you through the college years.

Other types of life insurance have investment elements and other features that make them more expensive and infrequently ideal for federal government retirees.

Whole

Whole provides coverage for the purchaser's entire life, as well as pays fixed death benefit and accrued savings benefits. Whole is subject to fees, rates, and inflation.

Variable

Benefits at death are dependent on portfolio market value. Variable rate life insurance is typically invested in common stocks.

Federal Employees' Group Life Insurance

Basic Life Insurance:

Basic Life Insurance benefits at death are roughly equal to 1 year salary of the federal employee from 45 years old until the age of 65. 35 or younger are allowed 2 years salary. Between the ages of 36 and 44, benefits are graduated.

Optional Life Insurance:

Option A - $ 10,000
Option A provides $10,000 in additional life insurance coverage.

Option B - Additional Multiples of Salary
Option B provides additional insurance in multiples of 1,2,3,4 or 5 times the annual basic pay on date of retirement. The annual basic pay is rounded up to the next thousand.

Option C - Family Life Insurance
Family Life Insurance provides coverage on the spouse and eligible children of the insured. Benefits are available in 1,2,3,4, or 5 multiples of $5,000 if the spouse predeceases the retiree and $ 2,500 if an eligible child predeceases the retiree.

Long Term Care Insurance

If you can afford long-term care insurance, you should definitely consider it. The overwhelming cost of long-term care can quickly deplete your life's savings. For instance, having a home health aide visit just three days a week can cost more than $20,000 annually. Full-time nursing home care now averages $69,000 to $78,000 per year.

While financial considerations cannot be understated, long-term care insurance isn't only about money: it's also about peace of mind. It ensures you'll have access to first-rate care when you need it. It also means you won't have to be dependent on others or be a burden to your children.

Choosing a plan

Long-term care insurance pays for a wide range of services and procedures that typically aren't covered by standard medical insurance. The types of care fall into three categories: skilled, intermediate and custodial.

<u>Skilled Care</u>
If you have a serious illness or injury that you can recover from, you will probably receive skilled care from nurses or professional therapists. Skilled care is provided daily and involves a treatment plan.

<u>Intermediate Care</u>
This type of care is the same as skilled care, but not provided on a daily basis. For instance, if you injured your leg and need to visit a physical therapist five times a week to help you heal, that would be considered intermediate care.

<u>Custodial Care</u>
Custodial care isn't intended to get you better. Custodial care includes assistance with daily activities like bathing, eating, dressing, toileting, and continence and transferring to name a few. Custodial care can range from in-home care provided two or three days a week, to 24-hour nursing home care.

Long-term care is not the same as nursing home care. A nursing home is a facility that provides long-term care services, but it's just one of the many settings in which long-term care is provided. Long-term care services are also provided in assisted living facilities, adult day care centers, and in-home. Because long-term care insurance policies may differ in what they cover, it's important to be familiar with the different locations where you can receive care.

Key Terms

Benefit Amount and Duration
Most long-term care policies pay a fixed dollar amount for each day you receive care. Policyholders usually have a choice of daily benefit amounts and can also choose the length of time that benefits will be paid. Long-term care policies generally limit benefits to a maximum dollar amount or a maximum number of days and may have separate benefit limits for nursing home, assisted living facility, and home health care within the same policy.

Elimination or Deductible Periods
These refer to how many days you must spend in a nursing home or how many home health visits you must receive before benefits begin. Most policies offer a choice of deductible: the longer the elimination or deductible period, the lower the premium.

Exclusions
Preexisting conditions may make coverage more expensive, and the insurance company may choose not to cover you for these conditions during your first six months of coverage.

Inflation protection
By purchasing inflation protection, your policy benefit will automatically increase each year at a specified rate, compounded over the life of the policy, protecting you against rising long-term care costs.

Non-forfeiture benefits
This feature allows you to drop your coverage and still receive a portion of the benefits based on a percentage of the total premiums you have paid.

Renewability
Almost all long-term care policies are guaranteed renewable. That means that they cannot be canceled as long as you pay your premiums. Companies can raise premiums, however, as long as they raise them for an entire class of policyholders. The renewability provision outlines under what conditions the company can cancel the policy or raise premiums.

Waiver of premium
This provision allows you to stop paying premiums while you are receiving benefits. Your policy may contain restrictions on this feature.

The Federal Long Term care Insurance Program

The Federal Long Term Care Insurance Program (FLTCIP) provides long-term care insurance to help pay costs for help with daily activities and severe cognitive impairment, such as Alzheimer's disease. See www.ltcfeds.com for detailed information on the Federal Long Term Care Insurance Program.

A Family Affair

Intergenerational Planning

For retirement planning to be successful, you must make a plan, share the plan with your family, and follow the plan If everyone is on the same page, your hopes for the future and your family are much more likely to be fulfilled.

Once you have a plan, do a paperwork fire drill. Have all of the necessary documents been completed? Is your family familiar with these documents: where they're located and what they contain (apart from confidential information)? Don't wait to get the documents in order:

- Living Will
- Revocable Living Trust + Re-title Assets
- Healthcare Directives
- Durable Power of Attorney
- Guardianship and Conservatorship
- Charitable Intent

Planning for Incapacity

You must acknowledge the possibility of incapacity. Approximately 90% of the population will need long-term personal or medical care in their lifetime (US News and World Report, Jan 2008). 78% of adults in long-term care depend on family or friends for personal and financial care ('Beyond 50' AARP, 2003).

Have the Right Conversation

Planning starts with the willingness to ask yourself and others the right questions. For your health, your goals, your financial security, and your loved ones, don't wait to have the conversation.

- Have you planned for incapacity?
- Have you completed the necessary documents?
- Have you made a decision about Medicare Part D?
- Do your children/grandchildren have health insurance?
- What is your preference for housing as you get older?
- What do you love or hate about your job?
- What do you look forward to in retirement?
- What is your biggest concern about retirement?

Answering these questions, and other important questions that apply to your life and financial situation, will put you on the path to a proper plan and peace of mind.

Karen P. Schaeffer, CFP® is the Managing Member and Co-founder of Schaeffer Financial LLC, an SEC-registered investment advisory firm located in Rockville, Maryland.

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