

EMPLOYEE HANDOUT INFORMATION FOR PROSPECTIVE RETIREES

COMMENCEMENT DATE OF ANNUITY: If you retire voluntarily under the Civil Service Retirement System (CSRS), you can set your retirement date for the first, second, or third day of the month, and your annuity begins to accrue the following day. For example, assuming your retirement is effective April 3rd; your first annuity payment will be for the period April 4th through April 30th. If you retire voluntarily on the fourth day or after, you will not begin to accrue an annuity until the following month. If you retire under the Federal Employees Retirement System (FERS) your annuity will begin to accrue on the first day of the following month after your retirement. Under FERS, if you were to retire on April 1st, you will not start to accrue an annuity until May 1st. However, if you set your retirement date on March 30th, your annuity will begin to accrue on April 1st.

PROCESSING YOUR RETIREMENT APPLICATION: You will be required to complete a retirement application and other forms and documents. Your servicing human resources office (HRO) will review your application, verify your service record, and forward the package to the servicing payroll office. Your retirement record card, which reflects your pay and retirement history, are added to the package and forwarded to the Office of Personnel Management (OPM). OPM Retirement Operations Center at Boyers, PA reviews the application package and assembles the information into a retirement file. If your entitlement to an annuity is clear, OPM will normally authorize recurring interim annuity payments to provide you with income until your claim is completed. Interim payments are generally authorized within 8 to 10 days after OPM receives the retirement package. Check with your HRO retirement counselor to find out how long it typically takes for your retirement package to reach OPM. You should receive your first interim payment within 2 to 3 weeks after OPM has received the retirement package. You will be assigned a Civil Service Annuity (CSA) number by OPM. You must use this number when contacting OPM.

INCOME TAX: Except for a small tax-free portion, your federal annuity is fully taxed. If the Office of Personnel Management (OPM) does not have information about your Federal tax withholding rate, OPM will withhold taxes as if you are married and claiming three allowances. You can change your Federal tax withholding by submitting a W-4P, Withholding Certificate for Pension and Annuity, with your retirement package. Information about the taxation of your annuity is explained in *IRS Publication 721, Tax Guide to U.S. Civil Service Benefits*, which may be obtained by calling 1-800-TAX-FORM, or through the IRS website (www.irs.gov).

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

ANNUAL LEAVE: The lump sum leave is based on the rate of pay you receive at the time of separation. You are also entitled to an adjustment to your lump sum leave payment whenever the law changes the pay you would have received during your projected leave period. For example, if the pay adjustment were effective January 2nd, projected leave on and after that date would be paid at the higher rate. Deductions of Social Security (if applicable), Medicare, Federal, and State tax will be deducted.

Some consideration should be taken if, upon retirement, you will be receiving a large lump-sum payment for annual leave. Taxes are applied to lump-sum payments in the year in which you receive the money. For example, an employee retiring September 30th could incur a larger tax burden by collecting almost a full year's salary plus a large lump-sum payment for unused annual leave.

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

CREDIT FOR SICK LEAVE: Creditable civilian and military service combined with credit for unused sick leave is used in computing the length of service for annuity computation purposes. The total length of service includes full years and full months (excluding the days). Under FERS, employees who retire through Dec. 31, 2013, 50 percent of their unused sick leave may be used for the annuity computation. FERS employees who retire on or after Jan. 1, 2014, will use 100 percent of their unused sick leave for the annuity computation. Sick leave cannot be used in meeting the minimum length of service for retirement eligibility. We advise that you consider all aspects closely, keeping in mind that OPM computes your official length of service and annuity.

COST-OF-LIVING ADJUSTMENT (COLA): COLAs are allowed by law and will increase your annuity. The amount of the annual adjustment depends on the Consumer Price Index (CPI) increases. When OPM adjust your payments, they will send you a statement showing the effect of the increase on your annuity.

For CSRS retirees, the first COLA is prorated by using the following formula:

$$\frac{\text{COLA rate}}{12} \times \text{Number of months on annuity roll} = \text{Prorated COLA}$$

FERS retirees do not receive a COLA until age 62, unless retired under special provisions (such as, law enforcement, firefighter, or air traffic controller). The increase is normally 1% less than the increase in the CPI as determined by law.

LIFE INSURANCE:

Basic Insurance: Life insurance coverage can be transferred into retirement if you have had coverage since the first opportunity to enroll or for five continuous years immediately preceding the date of your retirement. You must continue your Basic life insurance in order to keep any of the Optional coverages. Unless you choose otherwise, your Basic life insurance will begin to reduce at the end of the month after the month that you reach age 65 (or when you retire, if later). As a retiree, you will have three options:

- (1) 75% Reduction: Cost before age 65 = \$0.325 per \$1,000 of Basic Insurance Amount (BIA); after age 65 = \$0. The amount of your insurance reduces 2% per month after age 65 to a minimum 25% of your BIA.
- (2) 50% Reduction: Cost before age 65 = \$0.925 per \$1,000 of BIA; after age 65* = \$0.60 per \$1,000. The amount of your insurance reduces 1% per month after age 65 to a minimum of 50% of your BIA.
- (3) No Reduction: Cost before age 65 = \$2.155 per \$1,000 of BIA; after age 65* = \$1.83 per \$1,000. The amount of your insurance will equal 100% of your BIA and is retained after age 65.

*You will continue to pay premiums for life insurance unless you cancel or elect 75% reduction.

Optional Insurance: You will pay the full cost to continue any of the following Optional insurance:

Option A - Standard: Effective at the end of the month after the month that you become age 65, this option will reduce by 2% of the pre-retirement amount per month until it reaches 25% of the pre-retirement amount. After age 65, no premiums are withheld.

Option B - Additional: You may elect either full reduction or no reduction. If you elect full reduction, until you reach age 65, premiums (based on age) will be withheld from your annuity at the same rate as active employees. After age 65, there is no cost, but the insurance value begins to reduce 2% per month for 50 months, at which time this coverage will end. If you elect no reduction, you will continue to pay premiums at the same rate as active employees and you will retain the full amount of your Option B Additional insurance.

Option C - Family: You may elect either full reduction or no reduction. If you elect full reduction, until you reach age 65, premiums (based on age) will be withheld from your annuity at the same rate as active employees. After age 65, there is no cost, but the insurance value begins to reduce 2% per month for 50

months, at which time this coverage will end. If you elect no reduction, you will continue to pay premiums at the same rate as active employees and you will retain the full amount of your Option C Family insurance.

OPM will provide you with another opportunity shortly before you reach age 65 to elect either full or no reduction for Options B and C. For information on cost of Optional Insurance for annuitants visit, http://www.opm.gov/insure/life/an_rates.asp#basic

HEALTH INSURANCE: Health insurance continues if you have been covered by your own enrollment or covered as a family member under another's FEHB enrollment since first eligible to elect FEHB or for five continuous years immediately prior to the date of your retirement, and you are eligible for an immediate annuity. The cost will remain the same as if you were a current employee. You are entitled to the same benefits as a current employee. OPM will notify you of the open season. If you are not in receipt of cash benefits from Social Security at age 65, you must register for Medicare by contacting your local Social Security office. During retirement, Medicare becomes the primary payer at age 65 and FEHB is secondary. Even though Medicare becomes primary, it may be to your benefit to keep your FEHB coverage. Your spouse is eligible to continue FEHB coverage if you elect to provide a survivor annuity at the time of retirement and you are enrolled in self and family coverage the time of your death.

FEDERAL LONG TERM CARE INSURANCE PROGRAM (FLTCIP): FLTCIP is portable, therefore, if you are currently covered by LTC, coverage will continue. You will need to make arrangements with LTC Partners to ensure premiums are not interrupted. Premiums may be withheld from your annuity payment.

If you are not currently covered by LTC, you may apply for this coverage directly with LTC Partners via the web site, www.ltcfeds.com. You are subject to full underwriting which means LTC may require detailed health information. Applications may be submitted at anytime.

FLEXIBLE SPENDING ACCOUNT (FSA): If you retire before the end of the Benefit Period, the balances in your Dependent Care FSA and Health Care FSA are treated differently. Your HCFSA will terminate as of the date of your retirement. There are no extensions. Any health care expenses incurred prior to the date of separation will still be reimbursable but those incurred after the date of retirement will not. You can continue to use the remaining balance in your DCFSA to pay for eligible dependent care expenses until the end of the benefit period or until your account balance is depleted, whichever comes first. Balances remaining in the two accounts cannot be disbursed through a lump-sum payment to you. For additional information on the FSA program, refer to the website, www.fsafeds.com.

FEDERAL EMPLOYEES DENTAL AND VISION INSURANCE

PROGRAM (FEDVIP): If you are currently covered by FEDVIP, coverage will continue. Premiums may be withheld through your annuity payment. You are not required to contact BENEFED when you retire, however, you can speed up the process by contacting them on their website, www.BENEFEDS.com. If you do not have access to a computer please call 1-877-888-FEDS (3337), TTY 1-877-889-5680.

If you are not currently covered by FEDVIP, you may enroll during the open season period.

THRIFT SAVINGS PLAN (TSP): If you are enrolled in TSP when you retire, you will be given information about the options available. You are not required to make a decision about your TSP at the time of retirement. You may leave your money in your TSP account. By doing so, you will continue to accrue interest and you will continue to have the opportunity to make interfund transfers.

TSP provides several ways to withdraw your account: 1) you can make a partial withdrawal of your account in a single payment; 2) you can make a full withdrawal of your account by any one, or any combination, of the following methods – single payment, series of monthly payments, and a life annuity; or 3) you may transfer all or part of any single payment or in some cases, a series of monthly payments, to a traditional Individual Retirement Account (IRA) or eligible employer plan.

Upon your retirement, forms will be given to you to indicate your decisions. If you decide to leave your money in the account, you can no longer make contributions and will need to begin receiving payments by April 1 of the year following the year in which you turn age 70-1/2. You should ensure that the TSP Service Office always has your current address. Your Participant Statements will continue to be available on the TSP web site, or if you prefer, you can request that your personal Participant Statement be mailed to you. For up-to-date information, refer to the TSP Highlights found on the TSP website, www.tsp.gov.

PAYMENT SCHEDULE/INTERIM PAY: You should receive your last paycheck on the normal schedule. After OPM has received your retirement records, you should receive an interim payment equal to approximately 85% of your full annuity. This process should take about 8 weeks following your retirement date. While you are receiving interim payments OPM will only withhold Federal income tax. No deductions will be taken for health or life insurance. The interim payment schedule will continue until your retirement application has been finalized by OPM. At that time, you will receive a full annuity check including any accrued retirement pay minus FEHB, FEGLI, and other appropriate deductions.

When OPM finishes processing your application they will send you a personalized statement titled, “Your Federal Retirement Benefits”. This statement will provide details about how much your monthly payment will be. It also confirms such things as health and life insurance coverage, and provides information you will need to prepare your tax returns.

PERMANENT ADDRESS: Your current address on file with your payroll office will be forwarded to OPM. Many people move after retirement. When completing the retirement application, the address should be the same as the one on file at your payroll office. If that address is changing, make certain that you submit a change of address with servicing payroll office because OPM will send your retirement information to the address of record.

DIRECT DEPOSIT: At retirement, your current allotments will stop. Electronic funds transfer (EFT) information will flow from payroll to OPM. OPM will send your annuity payment to that account. All Federal payment recipients are to receive their payments by EFT, if possible. The only exception is for those individuals who **certify in writing** that they do not have a checking or savings account into which their payments could be directly deposited, and that accounts have not been established on their behalf by authorized payment agents. In this situation, your payments will be mailed to you in the form of a check.

CONTACTING OPM: Once you receive your CSA number, you may contact OPM by calling their Retirement Information Office at either the nationwide toll-free number, 1-88 US OPM RET (1-888-767-6738) or, for customers within the Washington, DC calling area, (202) 606-0500, or for hearing impaired customers, 1-800-878-5707 (TDD). When you call, you can use the automated phone system, which is available 24 hours a day, seven days a week, or talk to a Customer Service Specialist from 7:30 a.m. to 7:45 p.m. Eastern time, Monday through Friday.

To use the automated phone system features, you will need your CSA number and your Personal Identification Number (PIN). After OPM processes your retirement application, they will send you a PIN. You can also obtain a PIN by calling a Customer Service Specialist, who will arrange to have a PIN mailed to you.

Some of the things you can do by using the automated system include:

- Report a missing payment
- Change your address
- Change Federal and State income tax withholding amounts
- Request verification of your income
- Request the current value of your life insurance
- Request verification of the survivor benefits you are providing
- Request retirement forms and brochures

OPM is continuing to add features to the automated system to permit self service. The automated features are not available if you use a rotary telephone. You would need to speak to a Customer Service Specialist. You can also contact OPM through their on-line web service at <https://www.servicesonline.opm.gov>. OPM's main retirement web site is www.opm.gov/retire.

If you need to write to OPM, the mailing address for general correspondence is:

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

You may be interested in signing up for OPM's email automated updates; Fed-Retire. This is an automated email distribution list which sends out information about changes and enhancements to OPM's program and services. Information will be sent automatically via email about retirement related issues. To subscribe, visit <https://www.servicesonline.opm.gov>.