Federal Pensions Overview

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Tammy Flanagan

1980 – 1988: Federal Bureau of Investigation (Retirement Benefits Specialist)

1988 – Present: Senior Benefits Director for www.nitpinc.com

2013 – Present: National Active and Retired Federal Employees Association (www.narfe.org)

2010 – Present: Retire Federal Consulting (www.retirefederal.com)

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Agenda

Overview of the Federal Employees Retirement System

- A funny thing happened in 1983
- Three-Tiered System
- FERS Basic Benefit

Common Questions:

- What is the best date to retire?
- Will my insurance cost more in retirement?
- Will my Social Security be reduced?
- What is the FERS Supplement?

Spouse Equity

- FERS
  - Current Spouse
  - Former Spouse
- TSP
  - Spousal Consent
  - Former Spouse
- FEHB
  - Can my spouse continue coverage?

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A Funny Thing Happened in 1983

The **Social Security Amendments of 1983** made Social Security coverage mandatory for federal employees hired after December 31, 1983.

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Federal Employees Retirement System (FERS)

Three-Tiered Retirement System

1. **FERS Basic Benefit (Government Pension)**
2. **Social Security (FICA Tax)**
3. **Thrift Savings Plan (Similar to a 401(k), but different)**

FERS Basic Benefit

- Immediate, Deferred or Postponed
- Minimum requirement: Five years of creditable civilian federal service
- Normal Immediate Retirement:
  - 57 (or MRA if born before 1970) + 30 years
  - 60 + 20 years
  - 62 + 5
  - Reduced: MRA + 10

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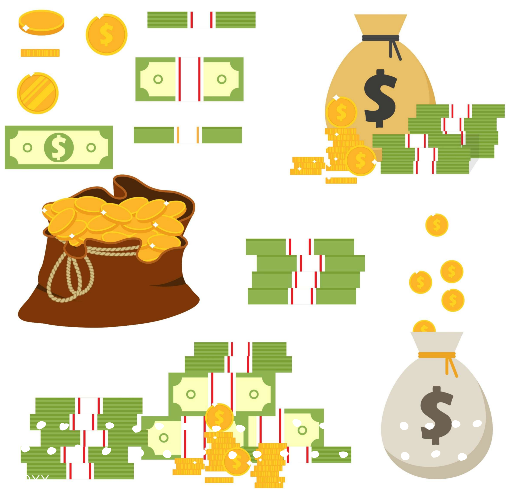
FERS
Special Situations



- Voluntary Early Retirement Authority
- Discontinued Service Retirement
- Deferred Retirement
- Retirement Due to Disability

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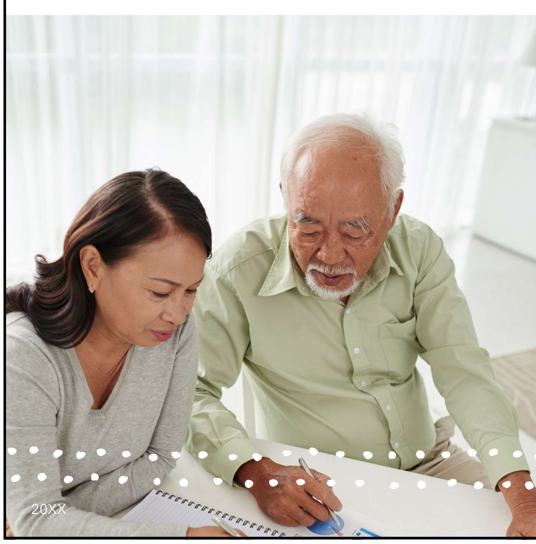
FERS



Basic Benefit Formula

1.0% x High-Three Average Salary x years/months of service

Note:

1.1% if 62 + 20 or more years of service

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Special Formulas

- Special Groups such as Federal Law Enforcement Officers, Firefighters, Air Traffic Controllers
- Disability Retirement
- Other Retirement Systems:
  - Foreign Service Officers
  - Tennessee Valley Authority
  - Non-Appropriated Fund

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FERS Reductions and Withholdings

REDUCTIONS (REDUCE TAXABLE INCOME)	WITHHOLDINGS (AFTER TAX)
Survivor Elections	• Federal Income Tax
Former Spouse Survivor Benefit	• State Income Tax (if applicable)
Part-time Proration	• Insurance
	FEHB (health insurance)
	FEGLI (life insurance)
	FEDVIP (supplemental dental and vision)
	FLTCIP (long-term care)

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Common Questions

A SAMPLING OF CONCERNS

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What is the Best Date to Retire?

Factors to Consider When Selecting Your Date:

- **Maximum Annual Leave Payout**
  - December 31
  - End of Leave Year (January 10, 2026)
- **Any Month**
  - Last day of the month since retirements commence the 1st day of the following month.

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Better Question: When Can I **Afford** to Retire?

Factors to Consider:

- How much of your net income do you save?
- Do you spend more than you bring home?
- Multiple your biweekly paycheck by 26 pay periods and divide by 12 to get your net monthly income.
- Consider all sources of retirement income, but don't forget the withholdings!

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Will my insurance cost more in retirement?

- **FEHB** (health insurance) stays the same, premiums are monthly (after-tax withholding)
- **FEGLI** (life insurance) depends on how much coverage you want to keep after age 65
- **FEDVIP** (dental/vision) and **FLTCIP** (long-term care) stay the same (after-tax withholding)

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SOCIAL SECURITY

Will my Social Security be reduced?

- **No…at least not because of your government pension:**
  - Windfall Elimination Provision and Government Pension Offset were repealed January 5, 2025
  - CSRS Offset retirement coverage requires a reduction (offset) to the CSRS retirement based on SSA benefits earned during CSRS Offset service
  - Under FERS, the "supplement" ends at age 62, Social Security begins at application anytime between 62 and 70

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What is the FERS Supplement?

- Takes the place of a Social Security retirement benefit
- Payable between 57 (minimum retirement age) and 62
- Not payable for deferred or MRA + 10 retirements
- Not payable for disability retirements
- Subject to earnings test
- Ball park estimate: "age 62" SSA benefit multiplied by years of civilian service under FERS / 40 = monthly supplement

  Ex: $2,000 x 30/40 = $1,500/month

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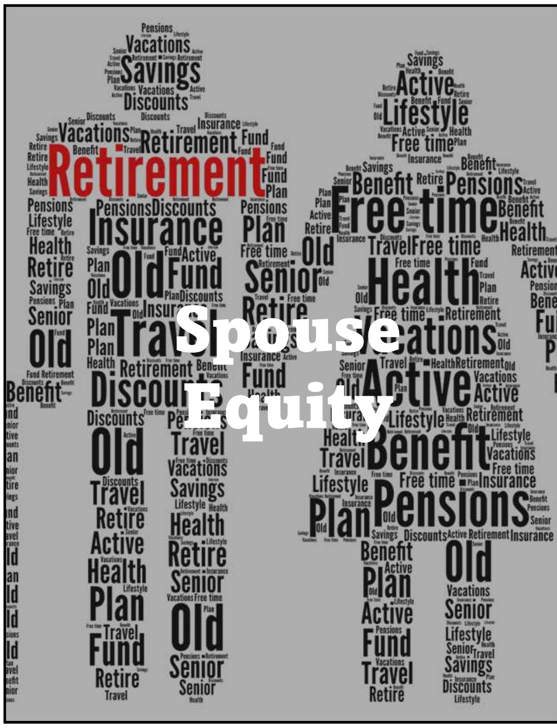

H.R.2300 - Civil Service Retirement Spouse Equity Act of 1984

- Requires survivor annuity
- Allows current and former spouse annuity election
- Allows for post-retirement survivor election within 2 years of marriage
- Allows insurable interest in addition to spouse election
- Survivor annuity terminated if remarriage before 55
- Requires survivor annuity to continue health insurance

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Attorney Handbook

United States Office of Retirement and Insurance

Service Personnel RI 38-116 Management

Revised **July 1997**

Under the

- Civil Service Retirement Benefits
- Federal Employees Retirement Benefits
- Federal Employees Health Benefits
- Federal Employees Group Life Insurance Program

https://www.opm.gov/healthcare-insurance/healthcare/reference-materials/attorney-handbook/

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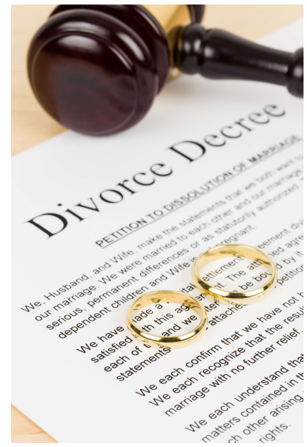
Court Ordered Benefits Branch - OPM

Court Order Acceptable for Processing COAP



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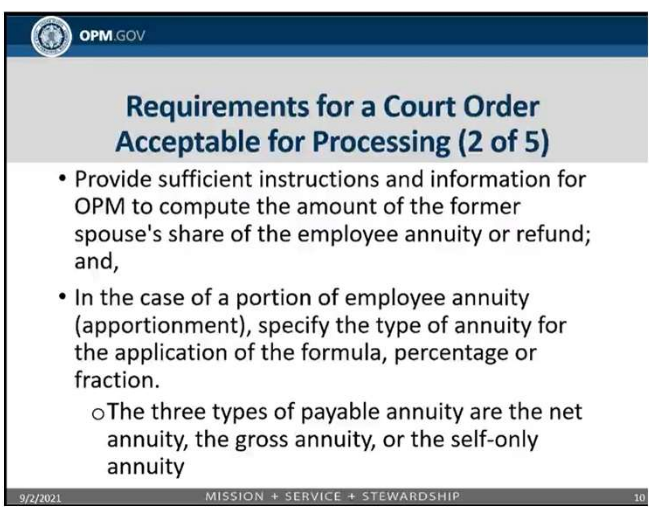
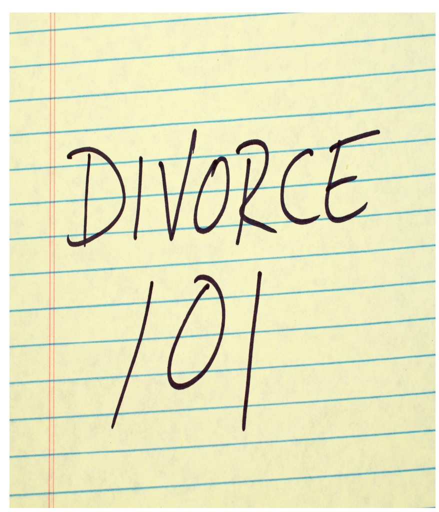
Court Ordered Benefits Branch - OPM





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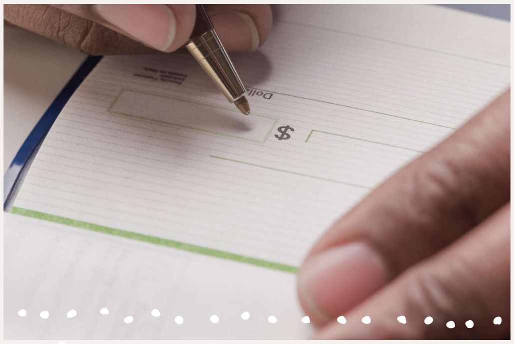

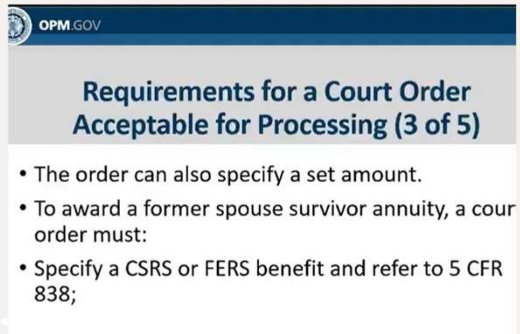
OPM.GOV

Requirements for a Court Order Acceptable for Processing (3 of 5)

- The order can also specify a set amount.
- To award a former spouse survivor annuity, a cour order must:
- Specify a CSRS or FERS benefit and refer to 5 CFR 838;

Court Ordered Benefits Branch - OPM

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Requirements for a Court Order Acceptable for Processing (4 of 5)

- Expressly state that the former spouse is awarded a former spouse survivor annuity or direct an employee or annuitant to elect to provide a former spouse survivor annuity;
  - o Court Orders can also give the Former Spouse the option to elect a survivor annuity.

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Requirements for a Court Order Acceptable for Processing (5 of 5)

- Provide sufficient instructions and information for OPM to compute the amount of the former spouse survivor annuity; and,
- Be issued prior to the date of retirement or death (whichever is earlier) of the employee's retirement or be in the first order dividing marital property after retirement benefits have commenced.

9/2/2021 MISSION + SERVICE + STEWARDSHIP 13

Survivor

Annuity

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Former Spouse Court Case

DECISION ISSUED 10/10/2025 – COURT RULES COAP MUST EXPRESSLY STATE DIVISION OF FERS Retirement Supplement

"We ORDER OPM to rescind its December 12, 2017 final decision, stop apportioning the annuity supplement, and refund all previously apportioned annuity supplement amounts to the appellant. OPM must complete this action no later than 20 days after the date of this decision."

https://fersguide.com/

UNITED STATES OF AMERICA
MERIT SYSTEMS PROTECTION BOARD
2023 MSPB 26

Docket No. DE-0841-18-0053-I-1

Ronald L. Moulton,
Appellant,
v.
Office of Personnel Management,
Agency,
and
Director of the Office of Personnel Management,[1]
Intervenor,
and
Jill Moulton,[2]
Intervenor.

November 28, 2023

Ronald L. Moulton, Longmont, Colorado, pro se.

Jessica Johnson, Nicole M. Lohr, and Tynika Faison Johnson, Washington, D.C., for the agency and for the intervenor, the Director of the Office of Personnel Management.[3]

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Thrift Savings Plan: Court Orders

https://www.tsp.gov/planning-for-life-events/retirement-benefits-court-order/

Retirement benefits court order

A Retirement Benefits Court Order (RBCO) is a court order, judgment, or decree issued under a state's domestic relations law. It recognizes the right of a participant's current or former spouse, child, or dependent to receive all or part of the participant's TSP account. Those individuals are referred to as "payees."

Thrift Savings Plan

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Divorce and Health Benefits

- After the divorce or annulment is final, your ex-spouse cannot remain covered as a family member under your Self Plus One or Self and Family enrollment (even if a court order requires it)
- A former spouse can apply for coverage in the FEHB Program under the **Spouse Equity** or **Temporary Continuation of Coverage** provisions of the FEHB law. Your spouse should contact your HR office or the Office of Personnel Management to apply.
- https://www.opm.gov/healthcare-insurance/healthcare/temporary-continuation-of-coverage/#url=Eligibility

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What is Spouse Equity?
Spouse Equity allows your former spouse to enroll in FEHB if your former spouse:
• Was covered under FEHB as a family member at some time during the 18 months before the marriage ended,
• Has not remarried before reaching age 55, and
• Has a qualifying court order (awards former spouse a portion of annuity benefit or survivor benefit).

How much does Spouse Equity coverage cost?
Spouse Equity enrollees pay the full premium—both the employee and Government shares.

How long does Spouse Equity coverage continue?
Your former spouse's coverage continues if premiums are paid. Eligibility ends if any of the following circumstances occur:
• The qualifying court order ceases to provide a portion of Federal annuity or survivor benefits;
• Your former spouse remarries before age 55;
• Your former spouse dies;
• You die and there is no survivor annuity payable to your former spouse;
• You leave Federal service or die before eligible for immediate or deferred annuity; or
• You separate from Federal service and receive a refund of your retirement contributions.

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Resources

- **Office of Personnel Management**

  www.opm.gov

  Retirement and Insurance
- **Thrift Savings Plan**

  www.tsp.gov

  Retirement Savings Plan
- **Social Security**

  www.ssa.gov

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Thank you

Tammy Flanagan

www.retirefederal.com

NARFE:

www.narfe.org

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