



Am I Ready to Retire?

National Vice President Ronnie Stutts

One of the most common problems I hear from rural carriers across the nation is that they do not fully understand the FERS retirement system and sometimes find out too late that they are not really financially ready to retire. Tennessee Williams once said, “**You can be young without money, but you can’t be old without it.**” When it comes to planning for retirement, there’s a difference between being eligible to retire and being able to afford it.

You do not want to retire and find that there is **too much month at the end of the money.**

While there are many factors in our life that affect our retirement, I want to explain the basic fundamentals of the FERS retirement system and how it works.

Understanding Your FERS Retirement

When we talk about your FERS Retirement, we’re really talking about several different benefits. FERS (Federal Employees Retirement System) has three main components:

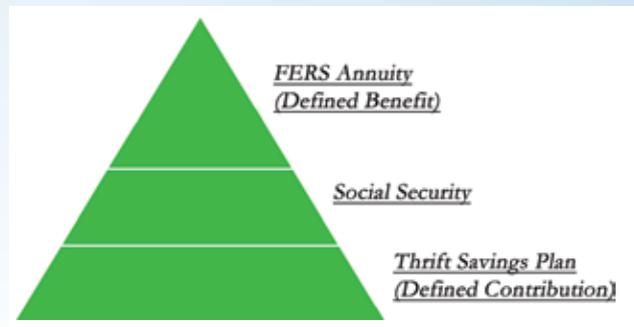


- Basic FERS Pension
- Social Security
- Thrift Savings Plan (TSP)

Your FERS pension and Social Security will be fixed dollar amounts. But the money you get from your TSP will depend on how much

you contributed and how well you managed the money.

Under FERS, you have a chance to take a more active role in managing your own retirement than CSRS employees do. But, that means you need to stay up-to-date on your benefits.



THRIFT SAVINGS WILL MAKE UP THE MOST OF YOUR RETIREMENT WITH PROPER PLANNING

When Can I Retire Under FERS?

In order to retire under FERS, you must have reached a certain age and have enough years of creditable service.

What age? And how much creditable service? It depends on the type of retirement rules you go out under.

Your eligibility to retire depends on:

- Your Age
- Your Years in Service
- What Type of Retirement You Choose

Ex: For a regular FERS Immediate Retirement, you must have reached your Minimum Retirement Age (MRA) and have at least 30 years of creditable service. But you could also qualify if you are at least age 60 at retirement with 20 years of service, or be at least age 62 with 5 years of service.

Eligibility

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

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

Eligibility Information Immediate Retirement

An immediate retirement benefit is one that starts within 30 days from the date you stop working. If you meet one of the following sets of age and service requirements, you are entitled to an immediate retirement benefit:

Age	Years of Service
62	5
60	20
MRA	30
MRA	10

Eligibility Information

**** If you retire at the MRA with at least 10, but less than 30 years of service, your benefit will be reduced by 5 percent a year for each year you are under 62, unless you have 20**

years of service and your benefit starts when you reach age 60 or later.

There are several different types of FERS Retirement, each with their own requirements of age and years in service. So let's take a look at the three tiers (LEGS) of the FERS retirement system.

Leg #1: Your Basic FERS Pension

Sometimes people will call your FERS pension a FERS annuity. Even OPM calls it an annuity. But to avoid confusion with other annuities (ex: an annuity from TSP, or annuities from insurance companies) we're going to be using the term pension when we talk about your FERS retirement.

Every pay period, the government takes out a portion of your pay to put towards your FERS pension. This ranges from 0.8% to 4.4% of your basic pay depending on when you were hired. But your pension is not based on this amount.

Your FERS pension is a defined benefit program. "Defined Benefit" means the amount you get is defined or fixed. It doesn't matter how much money you contributed—the monthly income from your pension will be a fixed amount based on certain factors.

Once you retire, you can receive a basic monthly pension for the rest of your life.

How Much Will My FERS Pension Be?

In order to calculate your basic FERS retirement pension, you will need to know three things:

1. Your High-3 Salary
2. Your Years of Creditable Service
3. Your Pension Multiplier

Gross vs. Net FERS Pension

Once you calculate your gross pension, it's important to look at your net number.

One of the most common mistakes I see rural carriers make is that they plan based on their gross pension—not on the net.

They calculate their pension, but they forget to look at the amount that they'll really 'take home' each month. Some will remember to

factor in the cost of their FERS survivor annuity - but that's just one reduction.

The calculation looks simple. But the complexity comes in how you calculate your High-3 Salary, and what really counts towards your Years of Creditable Service. Refer to the example below:

QUICK CALCULATION FERS ANNUITY

FERS Pension Calculation for less than 62 years old, the % factor is 1%. If over 62 years old, the percent factor is 1.1%.

$$\frac{\text{High-3 salary}}{\text{years of creditable service}} \times \text{percent factor} = \text{annual annuity}$$

SAMPLE WITH 30 YEARS AND HIGH-3 OF \$55,000 OVER 62 YEARS OLD

$$\frac{\$55,000}{30} \times 1.1\% = \$18,150$$

TRY TO COMPUTE YOUR OWN ANNUITY

$$\frac{\text{High-3 salary}}{\text{years of creditable service}} \times \text{percent factor} = \text{annual annuity}$$

Divide this amount by 12 for your monthly annuity.

OTHER POSSIBLE DEDUCTIONS:

- SURVIVOR BENEFIT _____
- FEDERAL TAXES _____
- STATE TAXES _____
- FEHB (Health benefits) _____
- FEGLI (Life Insurance) _____

The success to retirement is knowing how much you will have to live on versus how much you will need to live on.

In addition to this amount from OPM, a FERS annuitant may receive Supplemental or Social Security and TSP monies.

Leg #2: Social Security for FERS

Employees covered under the Federal Employee Retirement System (FERS) are typically eligible to receive Social Security benefits when they retire.

How Much Social Security Will I Get?

Every pay period, the federal government takes out 6.2% of your basic pay to put towards Social Security. But just like your FERS pension, your Social Security benefit is not exactly based on your contributions—it is based on other factors.

The amount of Social Security you receive depends on the amount of money you've earned over the years and how long you have been working in a job that contributes to Social Security (most do).

The easiest place to find out how much you can expect to receive in Social Security used to be your Social Security Statement. But in 2011, the SSA stopped mailing paper statements. If you have an old one, it's probably a good ballpark. However if you never kept any of your paper statements you can use the SSA's Retirement Estimator to get an idea of what your Social Security benefits might be (you can find it at <http://www.ssa.gov>).

A downside of the current "Retirement Estimator" is that you can see your estimated SS benefit—but not the earnings history behind those calculations.

So if there was an error in your earnings history, you wouldn't be able to see it on the estimator.

Special Benefit for FERS Retiring Before Age 62

There is a special benefit for some FERS retiring before age 62. It's called the Special Annuity Supplement, but more commonly known as the FERS Supplement. Social Security is an important part of the FERS Retirement package, but what about FERS employees who retire before they could even draw Social Security?

The FERS Supplement is designed to help bridge the money gap for certain FERS employees who retire before age 62. It will supplement a portion of your missing Social Security income until you reach age 62. But not all FERS employees are eligible to receive the Supplement. It is very important that you double check to make sure that you qualify for the FERS Supplement before you retire. The most common mistake is calculating full years of service for part-time service.

Make sure you know before you go!

Leg #3: Thrift Savings Plan for FERS

The Thrift Savings Plan (TSP) is a special account for federal employees. The TSP was created as part of the Federal Employees Retirement System in 1986. Most government employees (FERS and CSRS) are eligible for the TSP—even those hired before it was created.

The TSP allows you to save pre-tax dollars in a special personal account. You can choose how to invest those dollars - although your choices are limited to the specific TSP funds.

With your FERS retirement pension and Social Security, you will receive fixed amounts. But with your TSP, the amount you receive depends on how much you put in and how well you managed the money.

Your TSP contributions are optional and separate from your FERS pension.

Rural carriers under the FERS retirement system are eligible for the TSP match—where the government and your agency (USPS) contribute money to your TSP account.

The Thrift Savings Plan (TSP) allows rural carriers to take pre-tax dollars of their salaries

and invest them into various TSP funds. While Social Security and the FERS annuity will give you fixed amounts, the TSP payout depends on how much you invested and how well it was managed.

As explained earlier, the Thrift Savings Plan (TSP) can be the largest portion of your FERS retirement depending on your investment. It is especially important to keep in mind that the agency will match funds up to 5%. Please refer to www.tsp.gov for more information on investment options.

Closing

How do you know when it's your time to retire? A good place to start is knowing when it's not a good time to move on. Financial planning during your career comes down to having enough income to cover your expenses. Planning for retirement is very similar, but remember that there are no promotions or step increases in your retirement years. There are cost-of-living adjustments designed to maintain most of the value of your retirement benefits, but you still need cash reserves for unforeseen expenses. This article was to help you understand your FERS retirement. You work hard all your career and should plan for an enjoyable life after retirement. In future articles we will discuss other issues that could have a direct influence on retirement.

The information contained in this article provides general information on retirement. The examples are for demonstration purposes. Everyone's retirement can vary depending on individual circumstances. Each person is responsible for their individual retirement.