

EDUCATIONAL BENEFIT GUIDE

FOR ALL NAPS MEMBERS



Dillard
Financial Solutions, Inc.
Smarter Retirement Strategies

2018
EDITION

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WHO WE ARE AND HOW WE'RE DIFFERENT

We Provide **Smarter** Retirement Solutions

Steve and Teresa Dillard are licensed federal consultants with over 26 years of experience in the insurance and retirement industry with civilian, military, postal and federal employees. **We have over 4,000 clients and can proudly say that not one of them has ever lost money due to market risk through any of our programs.** We are approved members of the National Ethics Bureau. We are also members of the federal site www.myfederalretirement.com, which is utilized by thousands of federal workers for up-to-date information about retirement products and services. Additionally, we are Chartered Federal Employee Benefits ConsultantsSM (ChFEBCSM) and have had extensive training in Federal Benefits. Dillard Financial Solutions, Inc. is registered as a Verified Vendor on the US Federal Registry (DUNS # 078747605).

Since 1992 we have been able to educate and assist over 11,000 federally employed individuals and their families with retirement and life insurance options, and guide them to securing their retirement needs.

Dillard Financial Solutions, Inc. has sponsored over 1000 events for federal organizations that raised thousands of dollars for scholarships, local schools and food programs. In 2011 and 2013 Dillard Financial Solutions, Inc was featured in Forbes Magazine as one of the retirement companies for securing your income. Then, in 2013, we were awarded a 6-year agreement as the National Benefits Provider for the National Association of Farm Service Agency County Office Employees (NASCOE).

We are a company that you will want to tell your friends about. We have the ability to provide educational workshops for all federal employees. Please contact us today to set up a workshop for your group!



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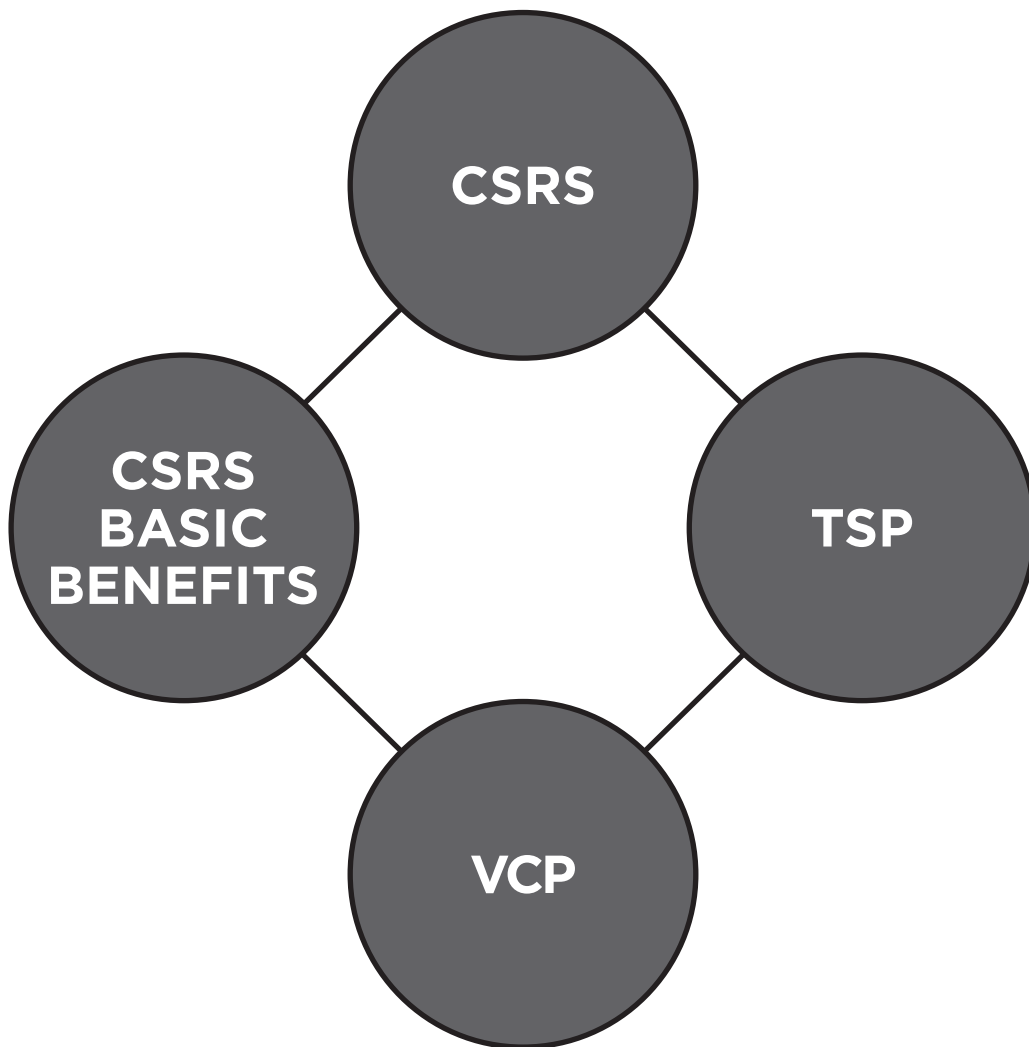
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CIVIL SERVICE RETIREMENT SYSTEM (CSRS) OVERVIEW

The **Civil Service Retirement System (CSRS)** is for all employees hired before January 1, 1984. Employees hired on or after that date participate in the FERS retirement program. Some employees may be covered by both CSRS and FERS. CSRS employees do not participate in the Social Security system but they do pay Medicare tax. CSRS employees are required to pay 7% of their basic pay toward their retirement program. CSRS employees can also participate in the Thrift Savings Plan but they do not receive matching contributions.

A CSRS employee will derive their federal retirement income from two sources and they are as follows:

1. CSRS Basic Benefit
2. Thrift Savings Plan
3. Voluntary Contribution Plan



CIVIL SERVICE RETIREMENT SYSTEM

Eligibility: Full time employees hired before January 1, 1984.

Retirement income is based on a two-tier system:

1. Basic Annuity (Pension)
2. Thrift Savings Plan (Voluntary Contributions)

Basic annuity is determined using five factors:

1. Age
2. Creditable Civilian Service
3. Highest Three Consecutive Years of Pay (Average)
4. Sick Leave Hours (2,087 = One Year)
5. Military Service
 - a. No deposit required if employed before October 1, 1982 and not eligible for Social Security.
 - b. Deposit required if employed after October 1, 1982.
 - c. If eligible for Social Security – See “Catch 62”.

Earned CSRS Retirement Percentages Based on Years of Service

Years of Service	Percent of High 3 Average Earnings	Years of Service	% of High 3 Avg. Earnings
5	7.5%	24	44.25%
6	9.25%	25	46.25%
7	11.00%	26	48.25%
8	12.75%	27	50.25%
9	14.50%	28	52.25%
10	16.25%	29	54.25%
11	18.25%	30	56.25%
12	20.25%	31	58.25%
13	22.25%	32	60.25%
14	24.25%	33	62.25%
15	26.25%	34	64.25%
16	28.25%	35	66.25%
17	30.25%	36	68.25%
18	32.25%	37	70.25%
19	34.25%	38	72.25%
20	36.25%	39	74.25%
21	38.25%	40	76.25%
22	40.25%	41	78.25%
23	42.25%	42	80.00%*

*Unused sick leave can be used to increase the annuity beyond 80% of high average three.

CSRS: LAW ENFORCEMENT

Eligibility: Full time employees hired before January 1, 1984.

Retirement income is based on a two-tier system:

1. Basic Annuity (Pension)
2. Thrift Savings Plan (Voluntary Contributions)

Basic annuity is determined using five factors:

1. Age
2. Creditable Civilian Service
3. Highest Three Consecutive Years of Pay (Average)
4. Sick Leave Hours (2,087 = One Year)
5. Military Service
 - a. No deposit required if employed before October 1, 1982 and not eligible for Social Security.
 - b. Deposit required if employed after October 1, 1982.
 - c. If eligible for Social Security – See “Catch 62”.

Earned CSRS Retirement Percentages Based on Years of Service

Years of Service	Percent of High 3 Average Earnings	Years of Service	% of High 3 Avg. Earnings
5	12.50%	24	58.00%
6	15.00%	25	60.00%
7	17.50%	26	62.00%
8	20.00%	27	64.00%
9	22.50%	28	66.00%
10	25.00%	29	68.00%
11	27.50%	30	70.00%
12	30.00%	31	72.00%
13	32.50%	32	74.00%
14	35.00%	33	76.00%
15	37.50%	34	78.00%
16	40.00%	35	80.00%
17	42.50%	36	80.00%
18	45.00%	37	80.00%
19	47.50%	38	80.00%
20	50.00%	39	80.00%
21	52.00%	40	80.00%
22	54.00%	41	80.00%
23	56.00%	42	80.00%*

*Unused sick leave can be used to increase the annuity beyond 80% of high average three.

CIVIL SERVICE RETIREMENT SYSTEM OFFSET

Eligible: Employees rehired by the federal government on or after January 1, 1984, who had a break in service of one (1) year or more but also had at least five (5) years of creditable service under CSRS.

- Employees rehired under the CSRS Offset plan have a six-month window to transfer to the Federal Employee Retirement System (FERS)
- The decision made during the six-month window cannot be changed.
- Employees retiring before age 62 under CSRS will receive their full annuity. At age 62, the CSRS annuity will be reduced by the lesser of the two formulas set forth below.

Formula #1

$$\begin{aligned} & \text{Social Security Benefit with CSRS Offset earnings} \\ & - \text{Social Security Benefit without CSRS offset earnings} \\ & = \text{Reduction in CSRS annuity} \end{aligned}$$

– OR –

Formula #2

$$\begin{array}{rcccl} \text{Social Security Benefit at age 62} & \times & \frac{\text{Years of Offset Earnings}}{40} & = & \text{Reduction in} \\ \text{(Monthly)} & & & & \text{CSRS Annuity} \end{array}$$

Example: John Q. Federal worked four years under the offset plan and was receiving a CSRS Offset annuity of \$1,000 per month. Upon turning age 62, John became eligible for Social Security. John's monthly Social Security benefit with his offset earnings was \$600.00 and his Social Security benefit without his offset earnings was \$550.00. Using the formulas above, John's CSRS annuity would be reduced by \$50.00 per month and he would receive his full Social Security benefit that he was eligible for at age 62. The result of formula #1 is used because it results in a lower reduction to the CSRS annuity.

Formula #1: \$600.00 - \$550.00 = \$50 Reduction

Formula #2: \$600.00 x 4 ÷ 40 = \$60 Reduction

CIVIL SERVICE RETIREMENT SYSTEM ELIGIBILITY

Minimum Requirements:

1. Must have five years of creditable service.
2. Must have one year out of last two years in a position under the CSRS. If retirement is for disability, this requirement is waived.

Types of Retirement	Age	Service	Special Requirements	Other Considerations
Voluntary	62	5	None	Must meet the one out of two rule.
	60	20		
	55	30		
Early Optional (Voluntary Separation for Age)	Any Age	25	Major reorganization, transfer of function or RIF. OPM must grant agency authority to administer early out.	Age reduction of 2% per year for each year under age 55. Age reduction is permanent.
	50	20		
Discontinued Service Retirement (Involuntary Separation) Reduction for Age	Any Age	25	Employee must not decline a reasonable offer of a position. Separation must not be for misconduct or delinquency.	Age reduction of 2% per year for each year under age 55. Age reduction is permanent.
	50	20		
Special Provision Retirements (Law Enforcement Officers and Firefighters)	50	20	The employee must serve in a primary position and transfer directly to a secondary position without a break in service exceeding 3 days.	Mandatory retirement age for law enforcement officers is 57 and firefighters is 55.
Special Provision Retirements (Air Traffic Controllers)	50	20	None	Subject to mandatory separation at age 56 even if employee does not have sufficient years of ATC service.
	Any Age	25		
Disability	Any Age	5	Disabled for current position and any vacant position in agency.	One out of two rule does not apply.
Deferred	62	5	Must have left retirement contributions in fund.	Must meet the one out of two rule.

HIGH THREE AVERAGE PAY

The high three average pay represents an employee's highest three consecutive years of pay, which do not necessarily have to be their last three years of employment. The pay used to determine the high three average is typically only the basic rate of pay, which includes several types of pay.

Basic Pay – Included

- Locality Pay
- Night differential pay for wage grade employees.
- Premium pay for stand-by time affecting primarily firefighters.
- Environmental differential pay.
- Premium pay for irregular administratively uncontrolled overtime (AUO).
- Law enforcement availability pay (LEAP).

Basic Pay – Not Included

- Cash awards or bonuses.
- Overtime pay except in certain situations.
- Military pay.
- Holiday Pay.
- Travel pay outside of the regular tour of duty.
- Any other special allowances.

Daily Rate and Hourly Employees

The basic pay of employees paid at other than an annual rate is determined by multiplying the basic rate of pay by the number of pay units in a 52-week work year. For example, a daily rate would be multiplied by the number of days in a work year to arrive at the annual rate. For an employee paid on an hourly basis, the hourly rate is multiplied by the number of work hours in a year (2087).

VOLUNTARY CONTRIBUTION PROGRAM (VCP)

The CSRS Voluntary Contributions Program (CSRS VCP) is a special benefit only for CSRS and CSRS Offset federal employees. It is not available for FERS. It's a very unique benefit, and there is no comparable program in the FERS system.

If you meet certain qualifications (and most CSRS do) you can open a VCP account. The money you put in is after-tax (not tax-deferred like your TSP). That money earns a small amount of interest that will be taxed later. **The election must be done prior to retirement.**

For more information about VCP and whether or not you qualify, contact your financial professional.

SERVICE CREDIT

A CSRS retiree’s annuity will be determined by the length of service credited to him or her and their highest three consecutive years of pay averaged. All federal employees should verify their service computation date that will be used for annuity computation purposes. This date is sometimes different than the service computation date used to determine annual and sick leave. To determine total length of service for annuity computation purposes, OPM will use the following: civilian service, military service and unused sick leave. The following chart is an example of a typical CSRS employee:

TYPE OF SERVICE CREDIT	YEARS	MONTHS	DAYS
Civilian Service	30		17
Military Service	3		13
Unused Sick Leave		7	
TOTAL SERVICE	33	7	30
ANNUITY SERVICE CREDIT	33	8	

Creditable Service Includes:

- The amount of time between dates of appointment and separation.
- Leave Without Pay (LWOP) up to six months in a calendar year.
- Worker’s Compensation time (OWCP), provided employee returns to duty within the required time frame.
- Part-time Service (regular tour of duty) receives full time credit for both eligibility and computation purposes if performed prior to April 7, 1986. After this date, it is completely creditable for eligibility purposes, but will be prorated for annuity computation purposes.
- **CSRS** – Intermittent service (when actually employed) is creditable only for actual days worked, based on a 260-day year.
- **FERS** – Intermittent service (when actually employed) before January 1, 1989 is creditable if a deposit is made. Credit is for actual days worked based on a 260-day year.
- Breaks in service up to three (3) days.
- **Non-Deduction Service:** Work performed prior to October 1, 1982, wherein retirement deductions were not taken will still count toward creditable service and annuity computation even if it was not paid. However, the annuity will be reduced by ten percent of the deposit owed, plus interest. A deduction must be made for any work performed on or after October 1, 1982, for it to be used in computing the annuity. However, a deposit does not have to be made for the work to be counted toward retirement eligibility.
- **Redeposit Service:** CSRS retirement contribution refunds taken after September 30, 1990 must be repaid to count towards annuity computations. However, refunded deposit time can be counted toward retirement eligibility or high three average determination even if the refund is not repaid. Retirement contributions refunded before October 1, 1990, do not have to be repaid to be counted in the annuity computation. However, the annuity will be actuarially reduced.

NON-DEDUCTION SERVICE

Non-deduction service is civilian service during which no retirement contributions were deducted from the employee's pay.

Before October 1, 1982

Work performed prior to October 1, 1982, wherein retirement deductions were not taken will still count towards creditable service and annuity computation even if it was not paid. However, the annuity will be reduced by ten percent of the deposit owed, plus interest. Interest is charged at a rate of 4% annually through December 31, 1947, and 3% annually thereafter. No interest is charged during a period of separation which began prior to October 1, 1956.

After September 30, 1982

A deduction must be made for any work performed after September 30, 1982, for it to be used in computing the annuity. The deposit also requires payment of interest at the rate of 3% annually through December 31, 1984, and a variable rate set by the Secretary of the Treasury thereafter. However, a deposit does not have to be made for the work to be counted toward retirement eligibility.

Impact of Not Making Deposits for Non-Deduction Service

Before October 1, 1982

Mary Federal is 55 years old and has 30 years of creditable civilian service. Mary's high three averaged salary is \$30,000. Mary was hired on May 10, 1959, with no retirement coverage. On May 10, 1964, Mary converted to a career appointment position with retirement contributions and retired on May 10, 1989.

Earnings for Five Year Period:	\$70,000
Retirement Contributions Due:	$\$70,000 \times .065^1 = \$4,550$
Interest Due:	\$4,981
Total Deposit Due:	\$9,531
Annuity Reduction/No Deposit:	$\$9,531 \times .10 = \953
Unreduced Basic Annuity:	$\\$30,000 \times .5625 = \\$16,875$
Reduced Annuity/No Deposit:	$\\$16,875 - \\$953 = \\$15,922$
Estimated Time to Recoup Deposit:	Approximately 7 Years with COLA's

1 This amount is based on the CSRS deduction that was applied during the time period of non-deduction service.

NON-DEDUCTION SERVICE

After September 30, 1982

Mary Federal is 55 years old and has 30 years of creditable civilian service. Mary's high three averaged salary is \$30,000. Mary was hired on May 10, 1959, under a career appointment and separated on May 9, 1979. Mary was rehired on November 5, 1982 with no retirement coverage. On November 5, 1987, Mary converted to a career appointment position with retirement contributions and retired on November 10, 1993.

Earnings for Five Year Period:	\$70,000
Retirement Contributions Due:	$\$70,000 \times .07^2 = \$4,900$
Interest Due:	\$1,416
Total Deposit Due:	\$6,316
Unreduced Basic Annuity/Deposit:	$\$30,000 \times .5625 (30 \text{ Years}) = \$16,875$
Reduced Annuity/No Deposit:	$\$30,000 \times .4625 (25 \text{ Years}) = \$13,875$
Reduction to Annuity:	\$3,000
Estimated Time to Recoup Deposit:	Less than 2 Years with COLA's

The impact of not making deposit for non-deduction service performed after September 30, 1982 is substantial as illustrated in the above example.

2 This amount is based on the CSRS deduction that was applied during the time period of non-deduction service.

REDEPOSIT SERVICE

Effect on annuity

Redeposit service is creditable civilian service where retirement contributions were made but later refunded. Redeposit due is amount of refund plus interest. Interest is computed in the same manner as deposits due. Redeposit service is fully creditable for eligibility purposes, but not creditable for computation purposes, if redeposit is not made; unless the retiring employee is covered under one of the following conditions:

1. If the retiring employee qualifies for and elects the Alternative Form of Annuity (Lump Sum) under one of the exceptions now available, the redeposit will be deemed paid, and the retiring employee's annuity will be computed as though amounts owed were paid.
2. For those employees whose annuity commences on or after December 2, 1990, and who retire (other than on disability) while owing a redeposit of a refund for service that ended before October 1, 1990, such persons will not be required to pay the redeposit in order to receive credit for the refunded service. Instead, full credit for the refunded service will be allowed in computing their annuity, but the annuity will be actuarially reduced.

Example:

Employee age 55 at retirement
Redeposit due is \$5,560
 $\$5,560 \text{ divided by } 212.6 = \26.15

The monthly annuity will be reduced by \$26.15 if the amount of \$5,560 is not redeposited into the Retirement Fund. The same rules apply to FERS transferees that have a CSRS component, if funds were withdrawn before transferring to FERS.

Retiring employees must still pay redeposits to OPM for refunds that cover service ending on or after October 1, 1990, in order to receive credit for that service in the computation of their annuities. Those individuals who qualify for, and elect, the AFA under one of the exceptions will continue as before to have all civilian service credit deposits deemed paid and the amounts of such redeposits included on the W-2 Form for tax purposes.

REDEPOSIT SERVICE

Effect on annuity

Present Value Factors for Redeposit Service

Age at Retirement	Present Value of a Monthly Annuity	Age at Retirement	Present Value of a Monthly Annuity
40	294.4	66	156.0
41	290.0	67	150.7
42	285.5	68	145.4
43	280.8	69	140.2
44	276.2	70	134.7
45	270.4	71	129.4
46	264.7	72	124.0
47	259.2	73	118.8
48	253.5	74	113.6
49	247.2	75	108.5
50	240.4	76	103.5
51	235.0	77	98.7
52	229.8	78	93.9
53	224.4	79	89.4
54	218.6	80	84.9
55	212.6	81	80.5
56	207.5	82	76.3
57	202.4	83	72.3
58	197.0	84	68.4
59	192.3	85	64.7
60	188.3	86	61.2
61	182.9	87	57.9
62	177.0	88	54.7
63	171.9	89	51.8
64	166.5	90	48.9
65	161.1		

The above table shows the present value of a monthly annuity to anyone whose annuity commences on or after October 1, 1994. If the table must be changed because of changes in underlying assumptions or mortality rates, OPM will publish a Federal Register notice of the proposed change at least 30 days before the effective date of the change.

REDEPOSIT SERVICE

Effect on annuity

If the employee is not eligible for one of the two methods discussed on the previous page to avoid making a redeposit, the time covered by the refunded service will not be included in the computation of the annuity. This will result in a sharp reduction in the retiree's benefit.

For example:

- Employee worked 5 years and separated
- Received a refund of contributions at separation
- Reinstated and worked another 25 years
- Owes redeposit including interest of \$5,560
- Retires with Hi-3 Average Salary of \$47,654

If the employee pays the redeposits due, 30 years of service will be used in the computation of his/her annuity.

$$30 \text{ years} = .5625\% \times \$47,654 = \$26,805$$

If the employee does not pay the redeposit due, 25 years will be used in the computation of the annuity.

$$25 \text{ years} = .4625\% \times \$47,654 = \$22,040$$

In this example, the retiring employee will receive \$4,765 more per year in annuity if redeposit is paid.

$$\$26,805 - \$22,040 = \$4,765$$

Interest Charged on Redeposits Due

Refunds paid by OPM on or after October 1, 1982, if redeposited will be subject to the new higher interest rate of 1/1/85, as determined by the Secretary of Treasury. If application for refund was before October 1, 1982, the old interest rates will apply, that is 4% through 1947 and 3% thereafter, compounded annually.

“CATCH 62” MILITARY PAYBACK

Eligible: Employees who will receive CSRS annuity and Social Security payments who were in a covered CSRS position before October 1, 1982 and have military service after January 1, 1957.

If you are an eligible employee and you do not make a deposit for your military time, you could lose thousands of dollars each year in your retirement years. This applies whether or not you take the Social Security Benefit.

Factors to Consider:

1. “Catch 62” only affects you if you are eligible for Social Security and are a CSRS pre-retiree.
2. If you will not be eligible for Social Security at age 62, you do not need to purchase your military time. Further, if your military time is before January 1, 1956, you do not need to be concerned with purchasing that time.
3. Your military time must be purchased before retirement.
4. FERS employees always need to purchase military time before retirement to receive credit. The cost to purchase this time is 3% of military earnings, plus any applicable interest.
5. Cost to purchase military time for a CSRS employee is 7% plus interest. There is no interest if military time was purchased within two years of CSRS appointment or September 30, 1986, whichever is later.

Information needed to calculate impact of “Catch 62”:

1. Is military time included in your service computation date?
2. Did you purchase your military time?
3. What are your dates of military service?
4. What were your total earnings while in the military?
5. How many Social Security quarters do you have?

Example:

John T. Smith is a CSRS employee with three years of military service. John also has 40 quarters of Social Security credit and his high average three is \$40,000. If John earned \$10,000 while in the military, it would cost him \$700.00, plus interest to purchase the military time.³

Impact of not purchasing military time in this scenario:

$\$40,000.00 \times 6\% = \$2,400.00 \div 12 = \$200.00$ monthly reduction to CSRS annuity.

With an 18-year life expectancy after retirement, the total cost for not purchasing the military time would be \$43,000 (18 x \$2,400), not including the effect of COLA's.

³ If the interest rate was 6% and the military time was not paid for 20 years, the total cost would be approximately \$2,300.

CSRS MILITARY SERVICE CREDIT

In most instances, Honorable Active Duty military service is creditable toward civilian service. Most federal employees who receive military retired pay must elect to waive these benefits in order for them to receive CSRS credit for their military time. There are exceptions to this rule and they will be discussed below.

Military Service Before January 1, 1957

All military service performed prior to January 1, 1957, is automatically credited toward CSRS eligibility without any cost to the retiree and there is no impact.

Military Service After December 31, 1956

A CSRS employee's military time is credited based upon the date they were hired. Employees hired before October 1, 1982 are treated differently than those employees hired after that date.

Employees Hired Before October 1, 1982

CSRS employees who fall into this category are not required to make a deposit for military service in order to receive credit for retirement eligibility and annuity computation. However, failure to make a deposit could substantially impact their annuity if they become eligible for Social Security retirement benefits. This situation will be discussed in greater detail in the "Catch 62" section.

Employees Hired After October 1, 1982

CSRS employees who fall into this category are required to make a deposit for military service in order to receive credit for retirement eligibility and annuity computation. The cost to purchase military service is seven percent of military earnings. If the military service is purchased within the first three years of employment, interest is not assessed.

Exceptions to Military Retired Pay Waiver

If an employee is receiving military retired pay under one of the following provisions, they are allowed to keep their military retired pay and use their military service for their CSRS or FERS annuity computation:

- The employee is receiving military retired pay due to a disability incurred in combat or caused by an instrument of war.
- The employee is receiving military retired pay for reserve service under Chapter 1223 of Title 10, U.S.C.

SICK LEAVE & CSRS

Employees covered by CSRS are allowed a credit for unused sick leave for annuity computation purposes. In order to credit sick leave for annuity computation purposes the following must apply:

- The employee must retire on an immediate annuity; or
- The employee must die while employed, leaving a widow or a widower entitled to a survivor annuity.

Other Factors Involving Sick Leave

- Employees accrue four (4) hours of sick leave bi-weekly.
- In general, employees are charged eight (8) hours of sick leave for each day they are absent, 40 hours for each week and 160 hours for each month.
- A retiree or disability retiree who returns to work will not have their sick leave reinstated; however, their annuity computation date will be adjusted to reflect their unused sick leave previously used to calculate their annuity.
- Employees who separate from the government and defer their annuity until age 62 are not allowed to use their unused sick leave toward their annuity computation.
- Sick leave cannot be used to compute an employees high three average salary or for the purpose of meeting the minimum number of years worked for retirement eligibility.
- Employees may use sick leave in order to increase their annuity beyond the 80% of high three limit for their pension annuity.
- FERS transfer employees with a CSRS component can use the accrued CSRS sick leave at the time of transfer to enhance their service credit for annuity computation purposes. The amount of sick leave is the balance at time of transfer, unless that amount is less than the balance at time of retirement.
- 2,087 hours equal one year of service credit for annuity computation purposes.

CSRS ANNUITY COMPUTATION

You may recall the earlier chart which detailed the eligibility for an immediate unreduced annuity. The length of service and age requirements are as follows:

Age	Length of Service
62	At least five (5) years
60	At least 20 years
55	At least 30 years

Basic Annuity Formula

High Three	X	1.50%	X	First Five Years	=	Sub-Total Annuity
High Three	X	1.75%	X	Second Five Years	=	Sub-Total Annuity
High Three	X	2.00%	X	Remaining Years	=	Sub-Total Annuity
						Total Annuity

Examples

1. Mary Federal is 55 years old with 30 years of service.

Mary's highest consecutive three years of pay, averaged, equals \$50,000.

\$50,000	X	1.50%	X	5	=	\$3,750
\$50,000	X	1.75%	X	5	=	\$4,375
\$50,000	X	2.00%	X	20	=	\$20,000
Total Annuity						\$28,125

2. Dan Federal is 62 years old with 15 years of service.

Dan's highest consecutive three years of pay, averaged, equals \$50,000.

\$50,000	X	1.50%	X	5	=	\$3,750
\$50,000	X	1.75%	X	5	=	\$4,375
\$50,000	X	2.00%	X	5	=	\$5,000
Total Annuity						\$13,125

A CSRS annuity is effective on the first day of the month following the month of retirement. However, if a CSRS employee retires on the 1st, 2nd or 3rd day of the month, the annuity is effective the day following retirement. This rule is different for FERS retirees. Disability and involuntary separation annuities begin the day following retirement. The basic annuity cannot exceed 80% of the high average three salary, except by the amount of unused sick leave.

CSRS LAW ENFORCEMENT ANNUITY COMPUTATION

You may recall the earlier chart which detailed the eligibility for an immediate unreduced annuity. The length of service and age requirements are as follows:

Age	Length of Service
50	At least 20 years
57	Mandatory Retirement

Basic Annuity Formula

High Three	X	2.50%	X	First Twenty Years	=	Sub-Total Annuity
High Three	X	2.00%	X	Remaining Years	=	Sub-Total Annuity
						Total Annuity

Example

1. Mary Federal is a United States Marshall and is 55 years old with 30 years of service.

Mary's highest consecutive three years of pay, averaged, equals \$80,000.

\$80,000	X	2.50%	X	20	=	\$40,000
\$80,000	X	2.00%	X	10	=	\$16,000
Total Annuity						\$56,000

CSRS EARLY RETIREMENT

Employees who leave federal employment without reaching their minimum retirement age will still be eligible to collect an annuity, provided they do not receive a refund of their contributions. An employee with at least five years of service will be eligible for an annuity when they reach age 62. However, employees who do not retire on an immediate annuity will be unable to restart their Federal Employee Health Benefits or Federal Employees Group Life Insurance

Voluntary & Involuntary Early Retirement

Employees who involuntarily separate from service or voluntarily separate during a RIF or an agency sponsored “early out” provision will be subject to a 2% penalty for each year they are under age 55. In order to qualify for this retirement provision, employees must meet the following age and service requirements:

Age	Service
Any	At least 25 years
50	At least 20 years

Impact to CSRS to FERS Transfers:

Employees who transferred from CSRS to FERS will receive two types of annuities, a FERS and CSRS annuity. Under the early retirement provisions discussed above, the FERS portion of the annuity will not be subject to a penalty; however, the CSRS portion of the annuity will be reduced by 2% for each year the employee is under age 55.

Example

Mary Federal is 52 years old when she elects an “early out” option from her federal agency. Mary has 25 years of service and her high three averaged salary is \$50,000.

\$50,000	X	1.50%	X	5	=	\$3,750
\$50,000	X	1.75%	X	5	=	\$4,375
\$50,000	X	2.00%		15		\$15,000
Total Annuity						\$23,125
Less 6%						(\$1,387)
Reduced Annuity						\$21,738

CSRS DISABILITY RETIREMENT

Eligible: Employees who have at least five (5) years of creditable civilian service.

The following requirements must be met before disability benefits can be paid:

- The disability must be expected to last at least one year.
- Employee’s agency must certify that it is unable to accommodate their disabling medical condition in present or vacant position.
- Application for disability retirement must be made before employee’s separation or within one year of separation.

Computing the Benefit

If you become disabled before age 60, your disability benefit will be computed using the basic annuity formula for a CSRS retiree. However, CSRS employees are guaranteed a minimum benefit using the lesser of the two formulas set forth below:

Guaranteed Minimum Annuity (Lesser of One or Two)

Formula One: 40 percent of the employee’s high three averaged salary; or

Formula Two: The annuity amount that would be payable if the employee worked to age 60. If the employee is receiving military retired pay, they are not entitled to the guaranteed minimum annuity formula. This exception provision does not apply to military retired pay based upon service-connected disability incurred during combat or military reserve retirement.

Example:

John Federal became disabled at age 48 with 15 years of service and a current high three average salary of \$50,000. It was determined that John was not eligible for SSA disability benefits.

Basic Annuity Formula: $\$50,000 \times 26.25\% = \$13,125$
or the lesser of

Guaranteed Minimum Formula One: $\$50,000 \times 40\% = \$20,000$

Guaranteed Minimum Formula Two: $\$50,000 \times 50.25\% = \$25,125$

The Guaranteed Minimum Formula One is chosen because it pays more than the Basic Annuity Formula but less than the Guaranteed Minimum Formula Two. If the employee has more than 21 years and 11 months at the time of disability or they are 60 years or older, the basic annuity formula will apply.

Law enforcement or firefighter employees will be entitled to an enhanced disability annuity if they have 20 years of law enforcement or firefighter service. Additionally, if disability retiree earns 80% of current salary underlying disability payment from private sector employment, the disability annuity will be discontinued.

CSRS EMPLOYEE DEATH BEFORE RETIREMENT

Eligible: If an employee has at least 18 months of civilian service, a surviving spouse and children are entitled to survivor benefits in the form of annuities. CSRS does not have a lump sum death benefit. However, if the employee does not have any eligible survivors for the annuity, a lump sum payment will be made to the estate to include the employee's contributions plus interest.

Survivor Annuity Benefit⁴

A survivor annuity equal to 55% of the employee's disability benefit under CSRS.

Child Survivor Annuity Benefit

The child survivor benefit is a specific amount established by law and is increased each year. This benefit is paid in addition to any survivor benefit paid to a former spouse. The benefit is also reduced by the amount of any Social Security survivor benefit. The benefit payable to each eligible child as of 2014 is as follows:

Single Orphan: \$501 per month per child (up to three (3) children)

Double Orphan: \$602 per month per child (up to three (3) children)

If the spouse remarries before age 55 (unless the marriage lasted 30 years or more), the survivor annuity ends. The survivor annuity may be reinstated if the spouse's remarriage terminates. A former spouse is not entitled to have the survivor annuity reinstated if a remarriage terminates. If a child marries, dies, turns 18, ceases to be disabled, the survivor annuity stops. Eligible children will be entitled to keep health benefits without a spousal annuity. Additionally, the child survivor benefit will be reduced by any Social Security survivor benefit.

⁴ Survivors of employees with less than 18 months will receive only the employees CSRS contributions.

CSRS EMPLOYEE DEATH BEFORE RETIREMENT

Example:

John Federal died at age 48 with 15 years of service and a current high three average salary of \$50,000. John has three children under the age of 18 and has been married for 20 years.

Spousal Survivor Benefit Computation

Step 1: Compute Disability Benefit

Basic Annuity Formula: \$50,000 x 26.25% = \$13,125
or the lesser of

Guaranteed Minimum Formula One: \$50,000 x 40% = \$20,000

Guaranteed Minimum Formula Two: \$50,000 x 50.25% = \$25,125

Step 2: Compute 55% of Disability Benefit \$20,000 x .55 = \$11,000

Spousal Survivor Annuity: \$11,000

Children's Survivor Annuity

Three Children: \$1,503.00 (3 x \$501)

Total Child Annuity: \$1,503.00 (Less any Social Security Survivor Benefit)

CSRS ANNUITY SURVIVOR BENEFITS

A survivor benefit is a portion of the living benefit paid to an annuitant. The survivor benefit is payable upon the death of the annuitant. An annuitant may only choose one beneficiary for his/her survivor benefit. Married employees may choose to leave a survivor annuity to their current spouse, former spouse, combination of both or to someone having an insurable interest. Single employees may leave a survivor benefit to a former spouse or to someone having an insurable interest. Children's survivor benefits are automatically provided by law to eligible children. An election does not have to be made by the retiring employee for children's survivor benefits to be payable. There are various methods to determine the different types of survivor benefits. We will only discuss benefits for married employees below.

Determining Survivor Benefits for Married Employees

- Married employees (married at least nine months) or child born to the marriage, may elect to leave their spouse up to 55% of the employee's full annuity.
- The cost to the annuitant is 2.5% of the first \$3,600 of the base annuity and 10% of the remaining annuity.
- In order for an employee's spouse to be eligible to continue health insurance benefits, a survivor benefit must be chosen.
- Married employees must have consent of their spouse if they leave anything less than the maximum survivor benefit.
- If a spouse receiving a survivor annuity remarries before age 55, the survivor annuity terminates (unless the marriage lasted 30 years or more).

Married Employee Example — 55% Survivor Benefit

Retiree's Base Annuity	\$50,000
Cost for Survivor Benefit ($\$3,600 \times 2.5\% = \90.00) plus ($46,400 \times 10\% = \$4,640$)	(\$4,730)
Retiree's Net Annual Annuity	\$45,270
Survivor's Annual Annuity (50,000 x .55)	\$27,500

Married Employee Example — Less Than Maximum Benefit

In order to leave less than the maximum benefit, the retiree must designate a lower base annuity.

The computation is as follows:

Retiree's Base Annuity	\$50,000
Retiree's Designated Lower Base Annuity	\$35,000
Cost for Survivor Benefit ($\$3,600 \times 2.5\% = \90.00) plus ($31,400 \times 10\% = \$3,140$)	(\$3,230)
Retiree's Net Annual Annuity	\$46,770
Survivor's Annual Annuity (35,000 x .55)	\$19,250

CSRS VOLUNTARY CONTRIBUTIONS

Voluntary contributions allow for CSRS or CSRS Offset employees to invest after tax dollars in the Civil Service Trust Fund. FERS employees are not eligible to participate. The following qualifications must also apply:

- Must be an active employee or still in application process of retirement.
- Applicant must not owe a deposit for non-deductive civilian service or a redeposit for refunded retirement deductions. It is not necessary to make deposits for Post-56 military service.
- Payments must be made in multiples of \$25 and may not exceed 10% of the aggregate basic pay received.
- Compounded interest is credited to each account annually on December 31st of each year. They are determined by the Department of the Treasury and are tax-deferred.

CSRS Voluntary Contribution Withdrawal Options

- Employee may elect to receive a lifetime annuity in addition to his or her regular retirement annuity. Each \$100 in the account provides an additional annuity of \$7 plus \$0.20 for each year the retiree is over the age 55 at the time the annuity begins.
- Survivor benefits will reduce the annuity if the employee is married unless waived. Upon the death of the annuitant the spouse will receive 50% of the reduced additional annuity.
- A lump sum refund may also be taken. The interest portion may be subject to the 59½ 10% IRS Distribution Tax unless exceptions are met.
- Employee may elect to rollover the refund to an IRA or other qualified retirement plan. Principle and/or Interest can be characterized differently.

CSRS TO FERS TRANSFER

Eligible: If employee had five or more years as CSRS employee and switched to FERS in one of the open seasons.

Basic annuity will be determined using CSRS and FERS formula, based on time under each system.

Factors to consider:

1. If you become disabled after switching to FERS, disability will be calculated under FERS rules.
2. Survivor benefits will be provided under FERS rules only. However, the CSRS provisions will be used when the retirement annuity is computed at age 62.
3. COLA will apply separately to CSRS and FERS pursuant to their respective rules. COLA starts upon retirement for CSRS but does not begin until annuitant is age 62 for FERS, except for law enforcement, firefighter, air traffic controller and certain disability retirements.
4. Social Security portion of retirement could be impacted by Windfall Elimination rules.

Examples:

Regular Employee

Mary A. Public, age 55, is a regular employee with 20 years under CSRS and 10 years under FERS and her high average three is \$50,000.

CSRS Computation:	$.3625$ (20 year factor) x \$50,000 =	\$18,125
FERS Computation:	$10 \times 1.0\% \times \$50,000 =$	<u>\$5,000</u>
	Total Combined Annuity	\$23,125

Law Enforcement⁵

John Q. Law, age 55, is a law enforcement employee with 20 years under CSRS and 10 years under FERS and his high average three is \$50,000.

CSRS Computation:	$20 \times 2.5\% \times \$50,000 =$	\$25,000
FERS Computation:	$10 \times 1.7\% \times \$50,000 =$	<u>\$8,500</u>
	Total Combined Annuity	\$33,500

5 For law enforcement/firefighters who switched to FERS, previous CSRS service does not count against the special 20 year limitation for receiving a higher percentage of the high three. However, it does count toward the time needed for retirement.

FEDERAL EMPLOYEE RETIREMENT SYSTEM (FERS) OVERVIEW

The Federal Employees Retirement System, commonly referred to as FERS, became effective January 1, 1987. Almost all new employees hired after December 31, 1983, are automatically covered by FERS. Other federal employees not covered by FERS have been given the option to transfer to FERS during two open seasons and upon their return to federal employment.

FERS employees participate in the Social Security system and also initially contributed .8 percent of their basic pay, 1.3 percent for law enforcement, air traffic controllers and firefighters, to FERS.

Recent laws made the following FERS contribution changes for newer employees:

- FERS-Revised Annuity Employees (RAE)--Regular FERS employees hired from January 1, 2013 through December 31, 2013 contribute 3.1 percent to the retirement fund; and law enforcement, firefighters and air traffic controllers hired during 2013 contribute 3.6 percent.
- FERS- Further Revised Annuity Employees (FRAE) --Regular FERS employees hired on or after January 1, 2014 contribute 4.4% to the retirement fund; and law enforcement, firefighters and air traffic controllers contribute 4.9%.

Even with different contribution percentages, the retirement benefits for FERS, FERS-RAE, and FERS-FRAE employees are identical.

A FERS employee will derive their federal retirement income from three sources and they are as follows:

Federal Employee Retirement System (FERS)

- FERS Basic Benefit
- Social Security/Special Retirement Supplement
- Thrift Savings Plan

The three components of FERS work together to give you a strong financial foundation for your retirement years.

FEDERAL EMPLOYEE RETIREMENT SYSTEM (FERS)

Eligible: Full time employee hired on or after January 1, 1984.

Retirement income is based on three-tier system:

1. Basic Annuity (Pension)
2. Social Security/Social Security Supplement
3. Thrift Savings Plan

Basic annuity is determined using five factors:

1. Age
2. Years of Service
3. Highest Three Consecutive Years of Pay (Averaged)
4. Military Service
 - a. Three percent of military earnings must be deposited before retirement to receive credit for service computation date. Deposit must be made within two years plus grace period to avoid interest.
5. Credit on Pension — 50% of sick leave until 2014 — then 100% after that.

Basic Annuity Formula (Before Age 62)

$$\text{High Average Three} \times \text{Years of Service} \times 1\% = \text{Annuity}$$

Basic Annuity Formula (Age 62 or Later)

$$\text{High Average Three} \times \text{Years of Service} \times 1.1\% = \text{Annuity}$$

Minimum Retirement Age Determination Chart

YEAR OF BIRTH	MINIMUM RETIREMENT AGE	MINIMUM SERVICE YEARS
Before 1948	55	30
1948	55 & 2 Months	30
1949	55 & 4 Months	30
1950	55 & 6 Months	30
1951	55 & 8 Months	30
1952	55 & 10 Months	30
1953-1964	56	30
1965	56 & 2 Months	30
1966	56 & 4 Months	30
1967	56 & 6 Months	30
1968	56 & 8 Months	30
1969	56 & 10 Months	30
1970 & After	57	30
Not Applicable	60	20
Not Applicable	62	5

FEDERAL EMPLOYEE RETIREMENT SYSTEM LAW ENFORCEMENT AND FIREFIGHTER

Eligible: Full time employee hired on or after January 1, 1984.

Retirement income is based on three-tier system:

1. Basic Annuity (Pension)
2. Social Security/Social Security Supplement
3. Thrift Savings Plan

Basic annuity is determined using five factors:

1. Age
2. Creditable Civilian Service
3. Highest Three Consecutive Years of Pay (Averaged)
4. Military Service
 - a. Three percent of military earnings must be deposited before retirement to receive credit for service computation date. Deposit must be made within two years plus grace period to avoid interest.
5. Credit on Pension — 50% of sick leave until 2014 — then 100% after that.

Basic Annuity Formula

First 20 years of law enforcement/firefighter service:

High Average Three x Years of Service x 1.7% = Annuity

+

Service Beyond 20 Years:

High Average Three x Additional Years of Service x 1.0% = Annuity

- i. Special retirement supplement is payable to law enforcement/firefighters upon retirement. The supplement is not earnings tested until the retiree reaches their minimum retirement age as set forth in the Minimum Retirement Age Determination Chart. At age 62, the special retirement supplement will stop and the retiree will be given the option to start regular Social Security payments.
- ii. Law enforcement officers must retire at age 57 with 20 years of service unless granted a special exemption by their agency head.
- iii. Law enforcement are eligible to receive unreduced benefits at age 50 with 20 years of service or at any age with 25 years of service.

FEDERAL EMPLOYEE RETIREMENT SYSTEM ELIGIBILITY

Minimum Requirements:

1. Must have five years of creditable service.
2. Must be serving in a FERS position at retirement.

Types of Retirement	Age	Service	Special Requirements	Other Considerations
Voluntary (No Age Reduction)	MRA	30	None	COLA's do not begin until retiree reaches age 62.
	60	20		
	62	5		
MRA + 10 (Voluntary Age Reduction)	MRA	10	Five years civilian service	Annuity will be reduced by 5% per year for each year under age 62.
Early Optional (Voluntary)	50	20	Early Out, RIF, Major Reduction & Transfer Function	No age reduction for being under 55. If CSRS component, 2% reduction on CSRS portion each year under 55. Eligible for annuity supplement at MRA.
	Any Age	25		
Discontinued Service (Involuntary)	50	20	Employee must not decline a reasonable offer of a position. Separation must not be for misconduct or delinquency.	No age reduction for being under 55. If CSRS component, 2% reduction on CSRS portion each year under 55.
	Any Age	25		
Special Provision Retirements (Law Enforcement Officer/Firefighter)	50	20	Must complete 3 years in primary (first line) position before moving to a secondary position without a break in service.	Mandatory retirement for law enforcement at age 57 and firefighters at age 55. Annuity supplement not earnings tested until MRA.
	Any Age	25		
Special Provision Retirements (Air Traffic Controller)	50	20	Complete 20 years as Air Traffic Controller	Mandatory retirement at age 56. Annuity supplement not earnings tested until MRA.
	Any Age	25		
Disability	Any Age	18 Months	Disabled for current position & any vacant position in agency.	Must apply for Social Security benefits.
Deferred	62	5	Must have left retirement contributions in the fund.	Annuity reduced by 5% for each year under age 62.
	MRA	10		
	MRA	30		
	60	20		

FERS EARLY RETIREMENT

Minimum Retirement Age with 10 Years of Service (MRA + 10)

Employees who retire after reaching their minimum retirement age (MRA) and have at least ten years of service (five (5) years must be civilian service), the annuity will be calculated using the same formula as an Immediate Unreduced Annuity. The annuity paid under this provision will be reduced by 5/12 of 1% for each month (5% for each year) the annuitant is under age 62. An employee can avoid the 5% penalty if they retire but defer the annuity until age 62. An annuitant who retires on an immediate annuity under this provision can continue their health insurance benefits; however, an annuitant who reaches their MRA and defers their annuity until age 62 will only be allowed to continue their health insurance coverage when their annuity begins.

Depart Federal Service Before Minimum Retirement Age

Employees who leave federal employment without reaching their minimum retirement age will still be eligible to collect an annuity, provided they do not receive a refund of their contributions. An employee with at least ten years of service will be eligible for a reduced annuity at their MRA, while an employee with at least five years but less than ten years of service will not be eligible for an annuity until age 62. Employees who leave federal service before their MRA with less than two years of service will not be eligible to restart their health insurance coverage when their annuity begins.

Example:

Mary Federal was born in 1950 and she has 11 years of federal service and she decides to retire at age 55 years and 6 months (MRA). Mary's highest consecutive three years of pay, averaged, equals \$30,000.

Step 1: Calculate immediate unreduced annuity:	$\$30,000 \times .01 \times 11 = \$3,300$
Step 2: Calculate number of years and months before age 62:	$55 \text{ \& 6 Months} - 62 = 6 \text{ Years and 6 Months}$
Step 3: Calculate percentage reduction for early retirement:	$6 \text{ Years and 6 Months} = \mathbf{32.5\%}$
Step 4: Apply percentage reduction to unreduced annuity (Step 1):	$3,300 \times 32.5\% = \mathbf{\$1,072.50}$
Step 5: Deduct penalty from unreduced annuity:	$\$3,300 - \$1,072.50 = \mathbf{\$2,227.50}$

Reduced Annual Annuity: \$2,227.50

This annuity will not change until COLA's become effective at age 62. In most instances, it is more advantageous for an employee to collect their annuity early and incur the penalty; however, every situation is different and calculations should be done for each situation.

***Important Note:** Employees who collect an annuity under the MRA + 10 provision are not eligible for the Special Retirement Supplement.*

FERS EMPLOYEE DEATH BEFORE RETIREMENT

Eligible: If an employee has more than 18 months but less than ten (10) years of service and dies while employed, their spouse is entitled to a lump sum payment. If the employee has ten or more years of service, their spouse is entitled to receive 50% of the employee's computed annuity benefit at the time of death. Minor children, children between the ages of 18 and 22 who are in school full-time, and children with a disability are also entitled to a survivor benefit.

FERS Death Benefit⁶

(Employee with at least 18 months of service)

Lump Sum Payment of \$31,786 (2014)

Plus

Greatest 1/2 of annual basic pay at time of death or 1/2 of high three average salary

Plus

Any Social Security benefits that may be payable

Survivor Annuity Benefit⁷

(Employee with at least 10 years of service, 18 months civilian)

A survivor annuity equal to 50% of the employee's basic annuity under FERS.

Child Survivor Annuity Benefit

(Employee with at least 18 months of civilian service)

The child survivor benefit is a specific amount established by law and is increased each year. This benefit is paid in addition to any survivor benefit paid to a former spouse. The benefit is also reduced by the amount of any Social Security survivor benefit. The benefit payable to each eligible child as of 2014 is as follows:

Single Orphan: \$501 per month per child (up to three (3) children)

Double Orphan: \$602 per month per child (up to three (3) children)

If the spouse remarries before age 55 (unless the marriage lasted 30 years or more), the survivor annuity ends. The survivor annuity may be reinstated if the spouse's remarriage terminates. A former spouse is not entitled to have the survivor annuity reinstated if a remarriage terminates. If a child marries, dies, turns 18, ceases to be a student, or ceases to be disabled, the survivor annuity stops. Eligible children will be entitled to keep health benefits without a spousal annuity. Additionally, the child survivor benefit will be reduced by any Social Security survivor benefit.

⁶ The Basic Employee Death Benefit is taxed as ordinary income.

⁷ If the employee had less than 10 years of service, the spouse may also be eligible to receive the deceased employee's retirement contributions.

FERS EMPLOYEE DEATH BEFORE RETIREMENT

Example:

John Q. Federal is a non-law enforcement FERS employee with 17 years of service and he dies at the age of 43. John's high three average salary was \$50,000 and his current salary was \$56,000. John is married and has three children under the age of 18. John's family will be eligible for the following benefits:

Basic Employee Death Benefit

Lump Sum Payment	\$31,786 (2014)
½ of Salary or High three	\$28,000
Social Security:	\$400
Total Death Benefit:	\$60,186

Spousal Survivor Annuity

Basic Annuity Computation:	\$8,500 (17 x .01 x \$50,000)
50% of Basic Annuity:	\$4,250
Total Survivor Annuity:	\$4,250 + Any Eligible SSA Benefit

Children's Survivor Annuity

Three Children:	\$1503 (3 x \$501)
Total Child Annuity	\$1,503 (Less any Social Security Survivor Benefit)

FERS ANNUITY SURVIVOR BENEFITS

A survivor benefit is a portion of the living benefit paid to an annuitant. The survivor benefit is payable upon the death of the annuitant. An annuitant may only choose one beneficiary for his/her survivor benefit. Married employees may choose to leave a survivor annuity to their current spouse, former spouse or combination of both or to someone having an insurable interest. Single employees may leave a survivor benefit to a former spouse or to someone having an insurable interest. Children's survivor benefits are automatically provided by law to eligible children. An election does not have to be made by the retiring employee. There are various methods to determine the different types of survivor benefits. We will only discuss benefits for married employees below.

Determining Survivor Benefits for Married Employees

1. Married employees may elect to leave their spouse either 50% or 25% of the full annuity.
2. The cost to the annuitant is 10% of the full annuity for 50% and 5% of the full annuity for 25%.
3. In order for an employee's spouse to be eligible to continue health insurance benefits, a survivor benefit must be chosen
4. Married employees must have consent of their spouse if they do not leave a survivor benefit.

Example — 50% Survivor Benefit

Retiree's Full Annuity:	\$20,000
Cost for Survivor Benefit (10%):	(\$2,000)
Retiree's Net Annuity:	\$18,000
Survivor Benefit:	\$10,000

Example — 25% Survivor Benefit

Retiree's Full Annuity:	\$20,000
Cost for Survivor Benefit (5%):	(\$1,000)
Retiree's Net Annuity:	\$19,000
Survivor Benefit:	\$5,000 ⁸

⁸ The survivor's annuity will also increase with COLA's

WHAT IS THE BEST CHOICE FOR A SURVIVOR BENEFIT?

Everyone will have a different level of comfort with regard to choosing a survivor benefit, but ultimately you must make a decision within your comfort level and to meet your financial needs. The best way to explain the difference between survivor benefit and pension maximization is to give an example of each option. An example of each option is as follows:

Full Survivor Benefit

Mary Federal is a CSRS retiring employee with a high three average salary of \$50,000 and 30 years of service.

• Unreduced Monthly Annuity:	\$2,343
• Reduced Monthly Annuity (55% Survivor Benefit):	\$2,123
• Survivor Benefit:	\$1,289
• Monthly Cost of Survivor Benefit:	\$220

Pension Maximization

Using the same facts for Mary Federal above:

• Unreduced Monthly Annuity:	\$2,343
• Reduced Monthly Annuity (Minimum Benefit):	\$2,335
• Monthly Survivor Benefit:	\$165¹⁰
• Monthly Cost of Survivor Benefit:	\$7.50

Using the pension maximization program, the annuitant could use the \$212.50 monthly savings to purchase a permanent life insurance policy, and the surviving spouse can use the proceeds to create a monthly income stream while retaining control over the principal amount. The surviving spouse can also pass on any remaining life insurance proceeds to his or her surviving family members or charitable organizations.

Note for FERS Retirees: Although Survivor Benefits choices are more limited under FERS, surviving spouses can receive the 50% reduced election and still maintain Health Insurance Benefits. Health Insurance alternatives must be considered if the unreduced annuity is chosen.

¹⁰ This is the minimum benefit that can be chosen in order to allow the surviving spouse to retain eligibility for the FEHB Program.

FERS LUMP SUM RETIREMENT PAYMENT

Eligibility: An employee who separates from federal service is entitled to a refund of their payments into the FERS retirement system. In order to receive this lump sum payment, the employee must not be reemployed under FERS within 31 days of separation and not be eligible for an immediate annuity.

Interest: An employee with more than one year of service will also receive interest on their contributions. The interest rate is variable and is determined by OPM.

Employees with a CSRS Component: If a CSRS employee elected to transfer to FERS during one of the open seasons, those employees have a CSRS and FERS component to their retirement plan. The FERS refund rules apply to the FERS component and the CSRS rules apply to the CSRS component.



Important Note: A federal employee who separates with ten (10) years of service and is eligible for MRA + 10 would need a substantial lump sum to duplicate the annuity to be paid by FERS. For example, an employee born in 1950 who separates with 10 years of service and a high three salary of \$50,000 would be eligible to receive a reduced annuity at age 55 and six months of \$281.25 per month for the rest of their life. This amount would increase with COLA's when the annuitant turns age 62. The employee's contributions in this example would have been approximately \$5,000.

Even if the employee had ten (10) years to invest his money, assuming a generous rate of return of 10%, the eventual lump sum would only be \$13,535.21. This lump sum would not come close to providing the same benefit of the FERS deferred retirement annuity.

FERS ANNUITY SUPPLEMENT

FERS Annuity Supplement

The FERS annuity supplement may be payable for retirees until they reach age 62, provided certain eligibility requirements are met. The FERS annuity supplement is payable to those who retire on an immediate, non-disability benefit, with no age reduction. The FERS annuity supplement is designed to provide a bridge for the FERS retiree until they can collect Social Security, which is an integral part of the total FERS benefit.

Eligibility:

1. Employee must retire on or after the minimum retirement age with at least 30 years of service.
2. The employee can retire at age 60 with 20 years of service.
3. Upon involuntary or early voluntary retirement (age 50 with 20 years of service, or at any age with 25 years of service) after OPM determines your agency is undergoing a major reorganization, RIF or Transfer of Function. Retiree will not be eligible for supplement until MRA.
4. Law enforcement, firefighters and air traffic controllers are eligible once they satisfy the minimum service requirements.

Estimating the Annuity Supplement

(See factor #4 next page for the effect of non-FERS employment)

The annuity supplement can be estimated by using the Social Security benefit the retiree would earn if they had been employed for a full career under Social Security, retiring at age 62.

The following ballpark formula can be used to estimate the annuity supplement:

(Social Security Benefit at age 62) X (Years of FERS Service/40) = Estimated Annuity Supplement

Example: FERS employee has an estimated Social Security benefit based on 35 years of earnings. Thirty of these years were earned as a FERS employee.

$\$10,000(\text{Estimated SS Benefit}) \times (30/40) = \$7,500 \text{ Annual Supplement Estimate}$

SOCIAL SECURITY BENEFITS

Factors to Consider:

1. The annuity supplement is tested for earnings above the exempt amount for Social Security (\$17,040 in 2018). Any income earned above the exempt amount reduces the supplement by \$1.00 for every \$2.00 earned. Law enforcement, firefighters and air traffic controllers are not tested until they reach their minimum retirement age.
2. FERS transfer employees may be eligible for the supplement even if they will not be eligible for Social Security.
3. The supplement will stop at age 62, whether or not the retiree chooses to collect a reduced Social Security benefit at age 62.
4. Only Social Security earnings as a FERS employee is used by OPM to calculate the FERS annuity supplement. Employees with Social Security earned outside of their FERS employment will not have this outside amount used by OPM in the supplement calculation.

SOCIAL SECURITY BENEFITS

Age to Receive Full Social Security Benefits

YEAR OF BIRTH	FULL RETIREMENT AGE
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67
NOTE: PEOPLE WHO WERE BORN ON JANUARY 1 OF ANY YEAR SHOULD REFER TO THE PREVIOUS YEAR.	

- **Delayed Retirement:** You may choose to keep working even beyond your full retirement age. If you do, you can increase your future Social Security benefits in two ways.
 1. Each additional year you work adds another year of earnings to your Social Security record.
 2. Also, your benefit will increase automatically by a certain percentage from the time you reach your full retirement age until you start receiving your benefits or until you reach age 70.
- **Deciding When to Retire:** Choosing when to retire is an important but personal decision. In deciding when to retire, it is important to remember that financial experts say you will need 70-80 percent of your pre-retirement income to have a comfortable retirement. Since Social Security replaces only about 40 percent of pre-retirement income for the average worker, it is important to have pensions, savings and investments. Depending on your earning and your benefit amount, it may be possible for you to start collecting benefits even though you continue to work.
- **Retirement Benefits for Widows and Widowers:** Widows and widowers can begin receiving Social Security benefits at age 60, or at age 50 if they are disabled. And they can take a reduced benefit on one record and later switch to a full benefit on the other record. For example, a woman could take a reduced widow's benefit at 60 or 62 and then switch to her full (100 percent) retirement benefit when she reaches full retirement age. The rules vary depending on the situation, so you should talk to a Social Security representative about the options available to you.

SOCIAL SECURITY BENEFITS

Family Benefits

1. Benefits for Family Members: If you are getting Social Security Retirement Benefits, some members of your family also can receive benefits. Those who are eligible include:

- Wives or husbands if they are age 62 or older.
- Wives or husbands who are younger than 62, if they are taking care of their child entitled on your record who is under age 16 or disabled.
- Former wives or husbands if they are age 62 or older.
- Children up to age 18 or 19 if they are full-time students who have not yet graduated from high school.
- Disabled children even if they are age 18 or older.

2. Benefits for Spouses

A spouse who has not worked or who has low earnings can be entitled to as much as one-half of the retired worker's full benefit. IF you are eligible for both your own retirement benefits and for benefits as a spouse, your own benefits will be paid first. If your benefits as spouse are higher than your retirement benefits, you will get a combination of benefits equaling the higher spouse benefit. However, if your spouse is taking care of a child who is under age 16 or who gets Social Security Disability benefits, your spouse gets full benefits regardless of age. Here is an example:

Mary Ann qualifies for a retirement benefit of \$250 and a spouse's benefit of \$400. At her full retirement age, she will receive her own \$250 retirement benefit, and we will add \$150 from her spouse's benefit, for a total of \$400. If she takes her retirement benefit before her full retirement age, both amounts will be reduced. *Note: Your current spouse cannot receive spouse's benefits until you file for retirement benefits.*

3. Maximum Family Benefits

If you have children eligible for Social Security, each will receive up to one-half of your full benefit. But there is a limit to the amount of money that can be paid to a family — usually 150-180% of your own benefit payment. If the total benefits due to your spouse and children are more than this limit, their benefits will be reduced.

4. Benefits for a Divorced Spouse

Your divorced spouse can get benefits on your Social Security record if the marriage lasted 10 years. Your divorced spouse must be 62 or older and unmarried. The amount of benefits he or she gets has no effect on the amount of benefits you or your current spouse can get. Also, if you and your ex-spouse have been divorced for at least two years and you and your ex-spouse are at least 62, he or she can get benefits even if you are not retired.

WHAT YOU NEED TO KNOW WHEN YOU ARE ELIGIBLE FOR SS RETIREMENT BENEFITS

1. How do you sign up for Social Security?

You can apply for retirement benefits online at www.SocialSecurity.gov or you can call the toll-free number 1-800-772-1213. Alternatively, you can make an appointment to visit any Social Security office to apply in person. Depending on your circumstances, you will need some or all of the documents listed below. Do not delay applying for benefits because you do not have all of the information or required documents as they will help you get what you need. The information needed to apply for Social Security benefits is as follows:

- Your Social Security number
- Your birth certificate
- Your W-2 forms or self-employment tax return from the previous year
- Your military discharge papers if you have military service
- Your spouse's birth certificate and Social Security numbers if he or she is applying for benefits
- Children's birth certificates and Social Security numbers if you are applying for children's benefits
- Proof of US citizenship or lawful alien status if you (or a spouse or child applying for benefits) were not born in the United States
- The name of your bank and your account and routing number so your benefits can be deposited directly into your account

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

2. Right to Appeal

If you disagree with a decision made on your claim, you can appeal it. You have the right to be represented by an attorney or other qualified person of your choice.

3. Receiving Benefits While Working

You can continue to work and still receive retirement benefits. Your earnings in (or after) the month you reach your full retirement age will not reduce your Social Security benefits. However, your benefits will be reduced if your earnings exceed certain limits for the months before you reach your full retirement age.

How it works:

If you are younger than full retirement age, \$1 in benefits will be deducted for each \$2 in earnings you have above the annual limit. In the year you reach your full retirement age, your benefits will be reduced \$1 for every \$3 you earn over an annual limit until the month you reach full retirement age. Once you reach full retirement age, you can keep working and earn all you can, and your Social Security benefit will not be reduced.

What you need to know when you are eligible for Social Security Retirement Benefits (Cont.)

6. Calculating the Retirement Benefit under Social Security

- Determining the Social Security benefit starts with calculating a worker's Average Indexed Monthly Earnings (AIME). The AIME is typically determined by using the highest 35 years of earnings, taking into consideration inflation during this period of time. The Social Security Administration will calculate the AIME.
- Once the AIME is calculated, the Primary Insurance Amount (PIA) is computed. For an individual who first becomes eligible for old-age insurance benefits or disability insurance benefits in 2017, their PIA will be the sum of:
 - (a) 90 percent of the first \$895 of his/her average indexed monthly earnings, plus
 - (b) 32 percent of his/her average indexed monthly earnings over \$895 and through \$5,397, plus
 - (c) 15 percent of his/her average indexed monthly earnings over \$5,397.
- The results from the above formula are added together and rounded down to determine the monthly Social Security benefit based on your full retirement age.

Example: AIME of \$5,000

1. 90% of First \$895 = \$805.50
2. Plus 32% of \$4105 = \$1313.60
3. PIA = \$2,119.10

Earnings from employment will be tested if you are receiving Social Security benefits between age 62 and 65. The exempt amount for earnings in 2018 is \$17,040. Any income earned over \$17,040 will decrease the Social Security benefit by \$1.00 for every \$2.00 earned. The earnings limit is \$45,360 during the year in which an individual reaches Full Retirement Age. Any earned income over \$45,360 prior to the Full Retirement Age month will decrease the Social Security benefit \$1 for every \$3 earned. Once a worker reaches Full Retirement Age, the earnings test is no longer applicable.

WINDFALL ELIMINATION

Eligible: If you receive a pension from a job where you did not pay Social Security taxes, and you also have enough Social Security credits to be eligible for retirement or disability benefits, a modified formula will be used to calculate your Social Security benefit. This modified formula will give you a lower Social Security benefit but will not affect your pension.

- A modified benefit is used for workers with less than 30 years of Social Security contributions. If a worker has 30 or more years of substantial earnings, they are not impacted by the Windfall Elimination provision.
- The Windfall Elimination provision only affects the first calculation used to determine a worker's Primary Insurance Amount (PIA). Instead of 90% of the AIME, the worker is given 40% of the AIME. The remaining calculations used to determine the PIA remain the same. This formula applies to retirees reaching age 62 in 1990 or later.
- If a worker has more than 21 years of substantial earnings, the windfall penalty is reduced by 5% per year for each year they qualify under the substantial earnings rules.

Windfall Elimination Reduction Chart

YEARS	NEW PIA FACTOR	YEARS	NEW PIA FACTOR
21	45%	26	70%
22	50%	27	75%
23	55%	28	80%
24	60%	29	85%
25	65%	30	90%

Factors to Consider:

- The provision does not apply to new hires under FERS, but it does apply to CSRS employees who transferred to FERS if they are entitled to a CSRS component in their annuity.
- The provision does not apply to survivor benefits.
- There is a guarantee that provides the reduction in the Social Security benefit, under the modified formula, cannot be more than one-half of that part of the pension attributable to earnings after 1956, not covered by Social Security. **The maximum penalty for 2014 is \$408.**

Example:

CSRS Retiree who transferred to FERS with less than 20 years of Social Security coverage. Retiree has average indexed monthly earnings of \$1,000. Social Security benefit will be calculated as follows:

$[\$816 \times .40 = \$326.40] + [\$184 \times .32 = \$58.88] = \$385.28$ (Primary Insurance Amount)

GOVERNMENT PENSION OFFSET

The Government Pension Offset affects those employees who are receiving a pension that does not include Social Security as an element and they later become eligible to receive a spouse's Social Security benefit or widower benefits.

The offset will impact the Social Security annuity by deducting 2/3 of the non-Social Security (i.e., CSRS) annuity amount from the eligible Social Security benefit. This could result in a reduced benefit or no benefit at all to the retiree receiving a non-Social Security annuity.

Factors to Consider:

- Employees who switched from CSRS to FERS on or before December 31, 1987, or before July 1, 1988, will not be impacted by the offset provision. Employees who switched to FERS in the July 1 – December 31, 1998 open season need to work five years under FERS to be exempt from the pension offset.
- Civil Service Offset employees are not impacted by the pension offset.
- Anyone who receives a government pension that is not based on their own earnings (i.e., Survivor Benefit) will not be impacted by the pension offset.

Example:

A CSRS retiree is receiving a monthly annuity of \$2,500 and becomes eligible to receive their family Social Security benefit. The following calculation is used to determine how much of the family benefit the CSRS retiree will receive:

Monthly CSRS Pension	\$2,500
Spouse's SS Benefit	\$1,300
Govt. Pension Offset (2/3 of CSRS Pension: \$2,500)	\$1,650
CSRS Retiree's Benefit	\$0.00

FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI)

Life Insurance Means Peace of Mind for You and Your Family!

Almost everyone needs life insurance — how much is for you to decide. Through the Federal Employees Group Life Insurance (FEGLI) Program, you have several choices in selecting the amount of life insurance that's right for you. FEGLI offers the following:

Basic Insurance: Equal to your salary rounded up to the next even thousand, plus two thousand dollars and three types of **Optional Insurance:**

- Option A** Standard, in the amount of 10,000;
- Option B** Additional, in an amount from one to five times your annual rate of basic pay after rounding your salary up to the next even \$1,000;
- Option C** Family, one to five multiples of coverage for your spouse and your eligible dependent children. Each multiple is equal to \$5,000 for the death of your spouse and \$2,500 for the death of each eligible dependent child.

Some Important Points to Keep In Mind:

- If eligible, you are automatically covered under Basic Life Insurance, unless you waive it.
- You must take action, within strict time limits, to elect Optional insurance. If you elect it when you are first eligible, you can get it without having to provide medical information to prove insurability.
- The FEGLI Program offers group rates and convenient payroll deductions.
- The Government pays 1/3 of the cost of your Basic Life Insurance. You pay 100% of the cost of Optional insurance.
- FEGLI is group term insurance. It does not have any cash or paid-up value. You cannot get a loan by borrowing from this insurance.
- The amount of life insurance one needs varies by individual.

How Do I Choose the Right Amount of Life Insurance?

Purchasing life insurance is a personal decision that only you can make. You should first consider the funds your survivors will need for immediate expenses such as uninsured medical costs, funeral expenses, lawyers' fees to settle an estate, debts, and taxes. Young single people, who often don't buy life insurance because they have no dependents should consider that funeral expenses can amount to thousands of dollars and should be provided for in some way.

The following page contains some very general guidelines that may help you. Not everyone will need the same amount of life insurance. Fill in the blanks to estimate your family's needs. If a particular line doesn't apply, or you think it is too much coverage, just skip it. These results are just rules of thumb. For a complete analysis of your needs, you may want to consult a financial planner.

FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI)

How Much Do I Need?

So you've decided that life insurance is a good idea. Now you'll want to determine how much you'll need. This simple chart can help you come up with an estimate. Fill in the blanks to estimate your family's needs.

1. Multiple of your annual income (in dollars) that you wish to provide your family if something were to happen to you ^a	\$ _____ (1)
2. Annual expenses above and beyond daily living costs for you and your dependents (e.g., tuition, care for a disabled child or parent)	+ \$ _____ (2)
3. Emergency funds (3 to 6 months of living expenses)	+ \$ _____ (3)
4. Estimated amount for your funeral expenses (U.S. average is \$5,000 to \$10,000) ^b	+ \$ _____ (4)
5. Total the estimate of your family's needs (add lines 1 through 4)	= \$ _____ (5)
6. Your total liquid assets (e.g., savings accounts, CDs, money market funds, existing life insurance)	- \$ _____ (6)
7. Subtract Line 6 from Line 5 and enter the difference here	= \$ _____ (7)

^a Most life insurance consultants recommend at least five times your annual income. Source: Kiplinger's (Kiplinger.com)

^b Source: AARP, Funeral and Burial Costs

Consider the Way Things Are...

In addition to completing the calculation above, there are some other situations you might want to consider when determining how much life insurance you need. Remember to take into account whether you have:

- a spouse and/or dependent children
- an aging parent and/or a disabled relative who depends on you for support
- savings and/or accumulated debt
- a sizable estate and/or a business

FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI)

When Does My Coverage Begin?

Basic Life Insurance coverage for new employees is effective on the first day you are in a pay and duty status in an eligible position, unless you waive this coverage before the end of your first pay period. After your first pay period, you may cancel Basic at any time and the cancellation will be effective at the end of the last day of the pay period in which your human resources office receives your cancellation.

Optional Insurance for new employees is effective on the first day you are in a pay and duty status in an eligible position on or after the day your human resources office receives your election. **You only have 31 days from the date of your appointment to an eligible position to elect Optional Insurance.**

Pay and duty status means you are not on annual leave, sick leave, donated leave, excused absence or otherwise absent from duty.

New employees must complete a Life Insurance Election (SF2817) to cancel Basic Insurance or to elect Optional Insurance. If you do not complete an election form, you will automatically be covered under Basic Insurance only, and your agency will withhold premiums from your pay.

What is Basic Insurance and How Much Does it Cost?

Basic Insurance provides term life insurance at group rates. The Federal Government pays one-third of the cost of your Basic Insurance. **If you are eligible, you are automatically covered under Basic Insurance, unless you waive this coverage.**

Your Basic Insurance Amount (BIA) is equal to the greater of (a) your annual rate of basic pay rounded to the next \$1,000 plus \$2,000, or (b) \$10,000.

Basic Insurance also provides an Extra Benefit to employees under age 45 at no additional cost. This Extra Benefit doubles the amount of Basic Insurance payable if you die when you are age 35 or younger. The Extra Benefit decreases 10% each year until there is no Extra Benefit if you die at age 45 or older.

HOW MUCH DO I PAY FOR BASIC INSURANCE?*	
PAYROLL METHOD	WITHHOLDING FOR EACH \$1,000 INSURANCE
Bi-Weekly	\$0.150
Monthly	\$0.325

**These rates are accurate through 2014 and may change in future years.*

Please see the FEGLI website at www.opm.gov/insure/life to get the most current rates and information.

What If I Want Optional Insurance and How Much Does it Cost?

While Basic Insurance may be enough coverage for some people, many others want more protection. That's why the Federal Employees Group Life Insurance (FEGLI) Program offers Optional Insurance (Option A: Standard, Option B: Additional and Option C: Family). **You must have or elect Basic in order to elect any Optional Insurance coverage.** You pay the full cost for all Optional Insurance.

Enrollment in Optional Insurance is not automatic. If you want Optional Insurance as a new employee, you must submit a completed Life Insurance Election (SF2817) to your human resources office within 31 days from the date of your appointment to an eligible position. Your opportunities to enroll in Optional Insurance after those 31 days are limited. Please see your representative to discuss enrollment options after the first 31 days.

OPTION A: Standard

You may elect Option A: Standard in the amount of \$10,000

HOW MUCH DOES OPTION A COST?*		
	WITHHOLDING FOR EACH \$10,000 INSURANCE	
YOUR AGE GROUP**	BI-WEEKLY	MONTHLY
UNDER 35	\$0.20	\$0.43
35 – 39	\$0.30	\$0.65
40 – 44	\$0.40	\$0.87
45 – 49	\$0.70	\$1.52
50 – 54	\$1.10	\$2.38
55 – 59	\$2.00	\$4.33
60 AND OVER	\$6.00	\$13.00

* These are the rates through 2014. They may change in future years. For more information, see the FEGLI website at www.opm.gov/insure/life.

** For insurance withholding purposes, we assume you reach these ages on the first day of the pay period that starts after your birthday.

OPTION B: Additional

You may elect Option B: Additional in an amount equal to one, two, three, four or five times your annual rate of basic pay (rounded up to the next \$1,000).

HOW MUCH DOES OPTION B COST?		
	WITHHOLDING FOR EACH \$1,000 INSURANCE	
	2016	
YOUR AGE GROUP**	BI-WEEKLY	MONTHLY
UNDER 35	\$0.02	\$0.043
35 – 39	\$0.03	\$0.065
40 – 44	\$0.04	\$0.087
45 – 49	\$0.07	\$0.152
50 – 54	\$0.11	\$0.238
55 – 59	\$0.20	\$0.433
60 – 64	\$0.44	\$0.953
65 – 69	\$0.54	\$1.170
70 – 74	\$0.96	\$2.080
75 – 79	\$1.80	\$3.900
80 AND OVER	\$2.64	\$5.720

*** For insurance withholding purposes, we assume you reach these ages on the first day of the pay period that starts after your birthday.*

OPTION C: Family

You may elect Option C: Family to insure your spouse and your eligible dependent children. When you select Option C, all of your eligible family members are automatically covered. You may elect either one, two, three, four or five multiples of coverage. Each multiple is equal to \$5,000 for your spouse and \$2,500 for each of your eligible dependent children.

Each multiple is a unit. For example, if you elect two multiples, that means you have two multiples on your spouse and two multiples on your eligible dependent children. You cannot elect a number of multiples for your spouse that is different from the number of multiples for your eligible dependent children.

To be eligible, dependent children must be unmarried and under age 22, or if age 22 or over, incapable of self-support because of a mental or physical disability that existed before the child reached age 22. Eligible dependent children include your natural children, adopted children, stepchildren (if they live with you in a regular parent-child relationship), recognized natural children, and foster children (if they live with you in a regular parent-child relationship). Grandchildren are not covered unless they qualify as foster children. Stillborn children are not covered. See the chart on the following page for a breakdown of cost for Option C.

HOW MUCH DOES OPTION C COST?		
	WITHHOLDING FOR EACH MULTIPLE	
YOUR AGE GROUP	BI-WEEKLY	MONTHLY
UNDER 35	\$0.22	\$0.48
35 – 39	\$0.27	\$0.59
40 – 44	\$0.41	\$0.89
45 – 49	\$0.59	\$1.28
50 – 54	\$0.92	\$1.99
55 – 59	\$1.48	\$3.21
60 – 64	\$2.70	\$5.85
65 – 69	\$3.14	\$6.80
70 – 74	\$3.83	\$8.30
75 – 79	\$5.26	\$11.40
80 AND OVER	\$7.20	\$15.60

What is Accidental Death and Dismemberment (AD&D) Insurance?

Accidental Death and Dismemberment (AD&D) Insurance provides funds in the event of a fatal accident or an accident that results in the loss of a limb or eyesight. For benefits to be paid, the death or loss must occur not more than one year from the date of the accident and be a direct result of bodily injury sustained from that accident, independent of all other causes.

AD&D insurance is automatically included in Basic Insurance at no additional cost. It is equal to your Basic Insurance Amount (BIA) and does not include the Extra Benefit. AD&D Insurance is also automatically included in Option A in the amount of \$10,000 at no additional cost. Option B and Option C do not include AD&D insurance. Accidental death benefits are paid in addition to other FEGLI benefits that may be payable. AD&D coverage stops when your employment ends. It does not carry into retirement. The following is a list of covered losses under AD&D insurance and the corresponding amounts payable:

AD&D SCHEDULE OF LOSSES	
FOR THE LOSS OF	THE AMOUNT PAYABLE IS
LIFE	FULL AMOUNT
TWO OR MORE MEMBERS*	FULL AMOUNT
ONE MEMBER*	50% OF FULL AMOUNT

**A Member is a hand, foot, or the sight in one eye.*

What If I Want to Change My Life Insurance Coverage?

If you waived Basic Insurance, or did not elect Optional Insurance when you were first hired, or you simply want different coverage than you have now, you have three opportunities to make changes: during an Open Season, by providing medical information, or by experiencing a life event.

Open Season

An Open Season is relatively rare. Your human resources office will give you more details about any upcoming Open Seasons whenever they're scheduled. The 1999, 2004, and 2016 Open Seasons are the most recent.

Providing Medical Information

As long as at least one year has passed since the effective date of your last waiver of life insurance coverage, you may provide satisfactory medical information at your own expense using the *Request for Life Insurance* (SF2822). The SF2822 is available only on the FEGLI website. You can download the form at www.opm.gov/insure/life. You and your agency must complete part of the form. You then take the form to your physician or other medical professional. He or she will examine you, complete the rest of the form and send the form to the Office of Federal Employees Group Life Insurance (OFEGLI). If OFEGLI approves your request, you will automatically get Basic Insurance (unless you already have Basic). You will have 31 days from the approval date to elect Option A and/or elect Option B or increase your Option B multiples (up to a total of 5) by completing a *Life Insurance Election* (SF2817) and submitting it to your human resources office.

You cannot elect Option C or increase your Option C multiples by providing medical information. You can only get Option C based on a life event.

However, if you previously elected Option C and are changing other Optional coverage, you must sign for Option C again in order to keep it. If you do not sign for it, you have waived/canceled it. For example, let's assume you already have Basic and three multiples for Option C and you want Option A. You complete the SF2822 and provide medical information, and OFEGLI approves your request. Then you complete the SF2817. You must sign for Basic, Option A and also three multiples of Option C even though you're not newly electing Option C. If you don't sign for your current Option C coverage again, you have waived/canceled it.

Your Basic Insurance coverage will be effective on the first day you are in a pay and duty status, on or after the date OFEGLI approves your request. Your Option A and/or Option B coverage will be effective on the first day you are in a pay and duty status, on or after the date OFEGLI approves your request and your human resources office receives your *Life Insurance Election* (SF2817) electing such coverage. You must be in a pay and duty status within 31 days after OFEGLI approves your request for the coverage to be effective; otherwise, OFEGLI's approval is void and you will have to start over.

Life Event

An employee who experiences a FEGLI qualifying life event, including the acquisition of an eligible child, has 60 days from the date of the event to elect Basic, plus any or all Optional Insurance — Option A, Option B (up to the maximum of 5 multiples with no restrictions), and Option C (up to the maximum with no restrictions). Each Option C multiple equals \$5,000 in coverage for a spouse and \$2,500 for each eligible dependent child. A qualifying life event means marriage, divorce, the death of your spouse, or the birth, custody or adoption of a child. You must complete a *Life Insurance Election* (SF2817) and submit it to your human resources office. The chart below shows the types and amounts of coverage you can elect based on life events. Please refer to the FEGLI Handbook for more information.

OPTION B — ADDITIONAL MULTIPLES YOU MAY ELECT WITH A LIFE EVENT			
		EFFECTIVE DATE OF COVERAGE WHEN SF2817 IS SUBMITTED	
LIFE EVENT	NUMBER OF MULTIPLES YOU MAY ELECT (NO MORE THAN 5 TOTAL)	BEFORE THE EVENT	ON OR WITHIN 60 DAYS AFTER THE EVENT
Marriage	The number of additional family members (spouse and eligible children) you gain from the marriage.	The first date you are in a pay and duty status on or after the event.	The date your human resources office receives the form and you are in a pay and duty status.
Divorce	The total number of your eligible children.		
Death of Spouse	The total number of your eligible children.		
Birth, Custody or Adoption of Children	The total number of eligible children* born or adopted in this event.		

Your life insurance coverage (including Accidental Death and Dismemberment [AD&D] insurance) as an employee will stop on the earliest of the following dates:

- The date you separate from Federal service (although you may be eligible to continue coverage as an annuitant or while in receipt of workers' compensation benefits).
- The date you transfer to an excluded position. Check with your human resources office; in some cases, you may be eligible to keep your coverage.
- The end of a period of 12 months in non-pay status.
- The end of the last day of the pay period in which your human resources office receives your *Life Insurance Election* (SF2817) on which you voluntarily waive/cancel some or all life insurance. Only the coverage you waive/cancel stops, although if you cancel Basic, you automatically cancel all forms of insurance.
- The date the Government's life insurance contract ends.

Will I Be Entitled to a Temporary Extension of My Life Insurance?

Yes, under certain circumstances. You will have a temporary extension of coverage for 31 days after your life insurance terminates, unless you voluntarily waive/cancel coverage or your annuity or workers' compensation benefits terminate. This temporary extension of coverage does not include AD&D insurance. No premiums or Government contributions are required during this temporary extension. See the FEGLI Handbook (RI 76-26), which is available in electronic format only at www.opm.gov/insure/life for more details. If you are not entitled to continue your coverage, you may convert your FEGLI coverage to an individual policy.

Can I Voluntarily Cancel My Life Insurance?

You may voluntarily waive/cancel Basic, Option A, Option B or Option C or reduce multiples of Option B and/or Option C at any time by completing a *Life Insurance Election* (SF2817)*. Simply sign only for the insurance you wish to keep. **If you do not sign for a particular type of insurance, you have waived/canceled it.** If you cancel Basic, you automatically cancel all forms of Optional Insurance.

The life insurance coverage you cancel stops at the end of the pay period in which your human resources office receives your election form canceling the coverage. Exception: If you cancel Option C because you no longer have any eligible family members, the effective date of the cancellation is retroactive to the end of the pay period in which you ceased to have any eligible family members. You will not have a temporary extension of coverage nor the right to convert any insurance that you voluntarily cancel.

What Happens to My Life Insurance Coverage When I Retire?

Your coverage will automatically continue when you retire if:

1. You retire on an immediate annuity and had the coverage for:
 - The five years of service immediately before the starting date of your annuity or, for annuitants retiring under the Federal Employees Retirement System (FERS) who postpone receiving their annuity, the five years immediately before their separation date for annuity purposes, or
 - All period(s) of service during which that coverage was available to you if it's less than five years, and;
2. You do not convert the coverage to a private policy.

Basic Insurance at Retirement

The amount of your Basic Insurance in retirement is your BIA (Basic Insurance Amount) at the time you separated as an employee. This amount continues until you reach age 65, after which it may reduce based on the election options described below. You will not have Accidental Death and Dismemberment coverage in retirement. When you retire, you must choose the type of reduction you want by completing a *Continuation of Life Insurance Coverage as a Retiree or Compensation* (SF 2818) provided by your human resources office. For Basic Insurance, you must choose 75% Reduction, 50% Reduction or No Reduction. You can change to a 75% Reduction at any time. Your coverage will be as if you had originally selected the 75% Reduction and your "extra premium" will stop. You will not receive a refund of premiums.

What is 75% Reduction?

This means your Basic Insurance will reduce by 2% of the pre-retirement amount each month. The reduction starts at the beginning of the second month after your 65th birthday or at retirement, whichever is later. Your Basic Insurance will continue to reduce until 25% of the pre-retirement amount remains. Your Basic Insurance is free once it starts to reduce.

What is 50% Reduction?

This means your Basic Insurance will reduce by 1% of the pre-retirement amount each month. The reduction starts at the beginning of the second month after your 65th birthday or at retirement, whichever is later. Your Basic Insurance will continue to reduce until 50% of the pre-retirement amount remains. When you turn 65, your “regular” premium for Basic Insurance stops, but you continue to pay an extra premium for this choice.

What is No Reduction?

This means your Basic Insurance will not reduce. When you turn 65, your “regular” premium for Basic Insurance stops, but you continue to pay an extra premium for this choice.

Optional Insurance in Retirement

The amount of your Optional Insurance in retirement depends on the options you had at the time you separated as an employee. This amount continues until you reach age 65, unless you elect No Reduction (for Options B and C only).

Option A – Standard:

If you are eligible to continue Option A into retirement, it will reduce by 2% of the pre-retirement amount each month until it reaches 25% of the pre-retirement amount. The reduction starts at the beginning of the second month after your 65th birthday or at retirement, whichever is later. Option A is free once it starts to reduce. You cannot choose No Reduction for Option A.

If you are eligible to continue Option B and/or Option C into retirement, you must choose whether you want these options to reduce, as explained below.

Option B – Additional:

If you retire before age 65, you have two choices at retirement: Full Reduction for all of your multiples, or No Reduction for all of your multiples. At age 65, or at retirement, if later, you will be able to choose the number of multiples that will reduce.

If you choose Full Reduction, the value of your Full Reduction Option B multiples will reduce by 2% of the pre-retirement amount each month for 50 months, at which time coverage on those multiples will end. The reduction starts at the beginning of the second month after your 65th birthday or at retirement, whichever is later. Option B Full Reduction multiples are free once the reductions start.

If you choose No Reduction, the value of your No Reduction Option B multiples will not reduce. You will continue to pay the full premium for all No Reduction multiples until you die, change those multiples to Full Reduction, or cancel those multiples. If you choose No Reduction, you can change to Full Reduction at any time.* However, if you change to Full Reduction after you reach age 65, the level of coverage you have will be as if you had originally elected Full Reduction. You will not receive a refund of premiums.

Option C – Family:

If you retire before age 65, you have two choices at retirement: Full Reduction for all of your multiples, or No Reduction for all of your multiples. At age 65, or at retirement, if later, you will be able to choose the number of multiples that will reduce.

If you choose Full Reduction, the value of your Full Reduction Option C multiples will reduce by 2% of the pre-retirement amount each month for 50 months, at which time coverage on those multiples will end. The reduction starts at the beginning of the second month after your 65th birthday or at retirement, whichever is later. Option Full Reduction multiples are free once the reductions start.

If you choose No Reduction, the value of your No Reduction Option C multiples will not reduce. You will continue to pay the full premium for all No Reduction multiples until you die, change those multiples to Full Reduction, or cancel those multiples. If you choose No Reduction, you can change to Full Reduction at any time. However, if you change to Full Reduction after you reach age 65, the level of coverage you have will be as if you had originally elected Full Reduction. You will not receive a refund of premiums.

BASIC INSURANCE — ANNUITANTS				
COST FOR EACH \$1,000 OF YOUR BASIC INSURANCE AMOUNT¹ (MONTHLY)				
ELECTIONS	BEFORE AGE 65		AFTER AGE 65	
	MONTHLY	BI-WEEKLY	MONTHLY	BI-WEEKLY
75% Reduction: Amount of insurance reduces 2% per month after the later of age 65 or retirement to a minimum of 25% of your basic insurance amount at retirement.	\$0.325	\$0.150	No Cost	No Cost
50% Reduction: Amount of insurance reduces 1% per month after the later of age 65 or retirement to a minimum of 50% of your basic insurance amount at retirement.	\$0.965	\$0.427	\$0.064	\$0.277
No Reduction: 100% of your basic insurance amount at retirement is retained.	\$2.265	\$0.995	\$1.94	\$0.845

Miscellaneous Provisions

Break in Service

When you return to work after a break in service of less than 180 days, your human resources office will automatically give you the same coverage that you had in your prior position. You can elect other coverage during an Open Season, by providing satisfactory medical information or by experiencing a qualifying life event.

When you return to work after a break in service of 180 days or more, you will automatically get Basic Insurance (even if you previously waived it) and the same Optional Insurance (if applicable) that you had in your prior position. In addition, you may elect Optional Insurance or increase the multiples of Optional Insurance (if you don't already have the maximum) within 31 days of your appointment to an eligible position. If you don't make an election regarding Optional Insurance, your human resources office will automatically reinstate the same coverage you had in your prior position.

If you experienced a qualifying life event during your break in service, you will have 31 days from the date of your reinstatement or 60 days from the date of the event, whichever gives you more time, to elect or increase the multiples of Option B or Option C.

Conversion

When Federal Employees Group Life Insurance (FEGLI) coverage as an employee stops and you are entitled to a 31-day extension of coverage, you may convert your FEGLI coverage to an individual policy. The conversion coverage is effective at the end of the 31-day extension of coverage, regardless of when you apply. You will not have to answer any medical questions. You may wish to convert your life insurance coverage if you do not qualify to carry it into retirement or compensation.

You may convert to an individual policy an amount less than or equal to the total of your Basic or Optional Insurance (if applicable). However, you may not convert coverage if:

1. You continue that same coverage as a retired employee or compensation, or;
2. You return to Government service in a position in which you are eligible for FEGLI coverage within three calendar days after you left Government service, or;
3. Your insurance ends because you voluntarily waive/cancel coverage, or;
4. The Government's life insurance contract ends, or;
5. Your annuity or compensation stops.

If you assign your insurance, you give up your right to convert your coverage. Only your assignee(s) may convert your insurance coverage.

Your agency should notify you of your conversion rights when your life insurance coverage ends. **However, you are responsible for finding out whether you qualify to convert your insurance coverage and for getting the necessary forms and information from your human resources office. You must act promptly, since you only have 31 days in which to convert your coverage.**

Direct Payment of Premiums

If your pay is too low to allow a withholding for life insurance premiums and your human resources office expects this situation to last more than six months, you will have a choice. You can choose either to terminate some or all of your insurance coverage or to continue the coverage and pay the premiums directly. Contact your human resources office for further details.

Living Benefits

You may elect to receive a full or partial lump sum payment of your Basic Insurance (living benefits) if you are terminally ill and your treating physician provides a documented medical prognosis that your life expectancy is nine months or less. To apply for Living Benefits, call OFEGLI at 1-800-633-4542. See the *FEGLI Handbook* (RI 76-26), which is available only in electronic format at www.opm.gov/insure/life, for more details.

Non-Pay Status

Your Life Insurance coverage continues automatically at no cost to you for the first 12 months in non-pay status. Exception: If you are receiving workers' compensation benefits during these first 12 months, your continued coverage will not be free. The U.S. Department of Labor will withhold premiums from your workers' compensation payments. Your coverage as an employee will terminate after 12 months of non-pay status, or when you separate from your agency, if earlier. The 12 months may be continuous or broken by periods of less than four consecutive months of pay status. When your coverage terminates you will have the right to convert your coverage to an individual policy or continue coverage as a compensation, if eligible.

For military reservists who separate from service for military duty, your life insurance ends at the end of 12 months in non-pay status, or 90 days after your military service ends, whichever comes first. During this period, your coverage is free. Please see your human resources office for more details. **It is your responsibility to know when your coverage terminates.**

THRIFT SAVINGS PLAN (TSP)

The Thrift Savings Plan (TSP) offers both pre-tax savings as well as after-tax (Roth) options for eligible employees. Employees covered under either CSRS or FERS may participate in the Thrift Savings Plan. The TSP operates similar to private-sector 401(k) plans that allow employees to contribute a portion of their salaries to a retirement savings account on a pre-tax or after-tax basis.

CSRS Employees and the TSP

Since 2008, there have been no restrictions as to percentage of your pay but the maximum contribution is limited to \$17,500. Participating employees age 50 and older may contribute an additional \$5,500 into the TSP. This is known as the “Catch Up” contribution. CSRS employees do not receive any agency matching contributions.

FERS Employees and the TSP

The TSP is considered an integral component of the FERS employee’s three-tiered retirement system. The government automatically contributes 1% of a FERS employee’s basic pay to establish a TSP account. The government begins this contribution in the first full pay period of the last month of the employee’s eligible open season. Eligibility is based on when the employee is hired. FERS employees can receive up to 4% more in agency matching contributions, for a maximum of 5%, depending on the amount the employee contributes. In 2014, FERS employees can currently contribute up to a maximum of \$17,500. Participating employees age 50 and older may contribute an additional \$5,500 into the TSP. This is known as the “Catch Up” contribution.

The following chart details employee contributions and matching contributions:

FERS EMPLOYEE CONTRIBUTION	AGENCY MATCHING CONTRIBUTION
0%	1%
1%	2%
2%	3%
3%	4%
4%	4.5%
5%	5%
ABOVE 5%	NO MATCH

FERS and CSRS participants are always vested in their own contributions and earnings on their contributions. FERS employees are always vested in the agency matching contributions, as well as the earnings on the matching contributions. Most FERS employees become vested in their agency automatic 1% contributions after completing three years of federal civilian service.

ROTH TSP RULES

- Contributions made by payroll deduction are on an after-tax basis.
- Transfers **IN** are allowed from Roth 401(k)'s, Roth 403(b)'s and Roth 457(b)'s. **NOT from Roth IRAs.**
- Transfers **OUT** are allowed to Roth 401(k)'s, Roth 403(b)'s, Roth 457(b)'s and Roth IRAs.
- Withdrawals are Tax-Free **IF** five years have passed since January 1st of the year you made your first Roth contribution **AND** you are age 59 1/2 or older, permanently disabled, or deceased.
- You may not convert from Traditional TSP account balances into Roth TSP accounts.
- Agency Match will always be to Traditional, tax-deferred contributions.
- Interfund transfers, contribution allocations, loans, beneficiary designations and withdrawals will apply in equal proportions to the Roth and Traditional balances.
- Required Minimum Distributions (RMDs) apply to both the Traditional and Roth TSP balances (RMDs do not apply to Roth IRAs).
- Roth TSP contributions do not count toward the yearly limits of Roth IRA contributions.



G FUND

GOVERNMENT SECURITIES INVESTMENT FUND

Information

as of December 31, 2016

Assets

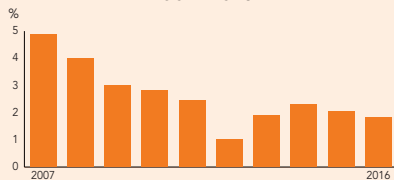
\$200.3 billion

Net Administrative Expenses

\$0.38 per \$1,000 account balance,
0.038% (3.8 basis points)

Rates of Return

2007–2016



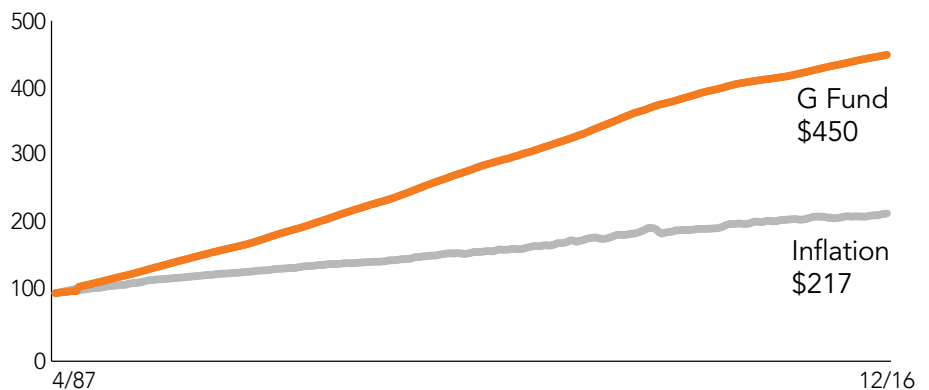
After Expenses

1-Year	1.82%
3-Year	2.06%
5-Year	1.91%
10-Year	2.63%
Since Inception	5.19%
April 1, 1987	

Key Features

- The G Fund offers the opportunity to earn rates of interest similar to those of U.S. government notes and bonds 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."
- The interest rate resets monthly and is based on the weighted average yield of all outstanding Treasury notes and bonds with 4 or more years to maturity.
- Earnings consist entirely of interest income on the securities.
- Interest on G Fund securities has, over time, outpaced inflation and 90-day T-bills.

Growth of \$100 Since Inception



F FUND

FIXED INCOME INDEX INVESTMENT FUND

Information

as of December 31, 2016

Assets

\$26.2 billion

Net Administrative Expenses*

\$0.38 per \$1,000 account balance,
0.038% (3.8 basis points)

Other Expenses**

0.017%

* An expense ratio of .038% translates to 3.8 basis points or \$0.38 per \$1,000 account balance.

** Fees associated with securities lending are not included in 2016 administrative expenses. Consistent with standard practice in the industry, they are charged in addition to administrative expenses. The other expenses represent fees paid to the investment manager for administering securities lending programs. Income earned from these programs improved the returns of the fund.

Average Duration

5.72 years

Yield to Maturity

2.57%

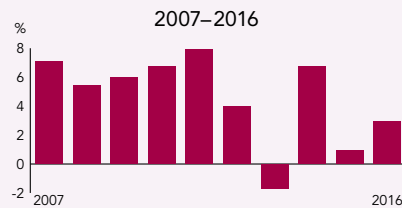
Benchmark Index

Bloomberg Barclays U.S.
Aggregate Bond Index
www.bloombergindices.com

Asset Manager

BlackRock Institutional Trust
Company, N.A.

Rates of Return



	F Fund*	Bloomberg Barclays U.S. Aggregate Index
1-Year	2.91%	2.65%
3-Year	3.49%	3.03%
5-Year	2.59%	2.23%
10-Year	4.59%	4.34%
Since Inception	6.33%	6.42%

January 29, 1988

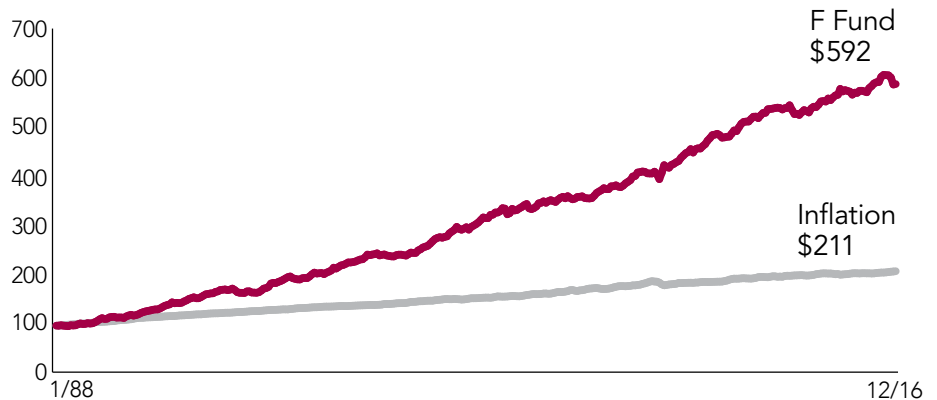
* After expenses

Key Features

- The F Fund offers the opportunity to earn rates of return that exceed those of money market funds over the long term (particularly during periods of declining interest rates), with relatively low risk.
- The objective of the F Fund is to match the performance of the Bloomberg Barclays U.S. Aggregate Bond Index, a broad index representing the U.S. bond market.
- 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 a security in the fund will be repaid before it matures).
- Earnings consist of interest income on the securities and gains (or losses) in the value of the securities.

Growth of \$100

Since Inception





C FUND

COMMON STOCK INDEX INVESTMENT FUND

Information

as of December 31, 2016

Assets
\$156.4 billion

Net Administrative Expenses*
\$0.38 per \$1,000 account balance,
0.038% (3.8 basis points)

Other Expenses**
0.004%

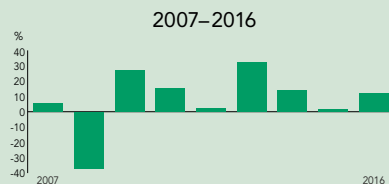
*An expense ratio of .038% translates to 3.8 basis points or \$0.38 per \$1,000 account balance.

**Fees associated with securities lending are not included in 2016 administrative expenses. Consistent with standard practice in the industry, they are charged in addition to administrative expenses. The other expenses represent fees paid to the investment manager for administering securities lending programs. Income earned from these programs improved the returns of the fund.

Benchmark Index
Standard & Poor's 500 Stock Index
www.standardandpoors.com

Asset Manager
BlackRock Institutional Trust
Company, N.A.

Rates of Return



	C Fund*	S&P 500 Index
1-Year	12.01%	11.96%
3-Year	8.95%	8.87%
5-Year	14.73%	14.66%
10-Year	7.00%	6.95%
Since Inception	10.16%	10.20%

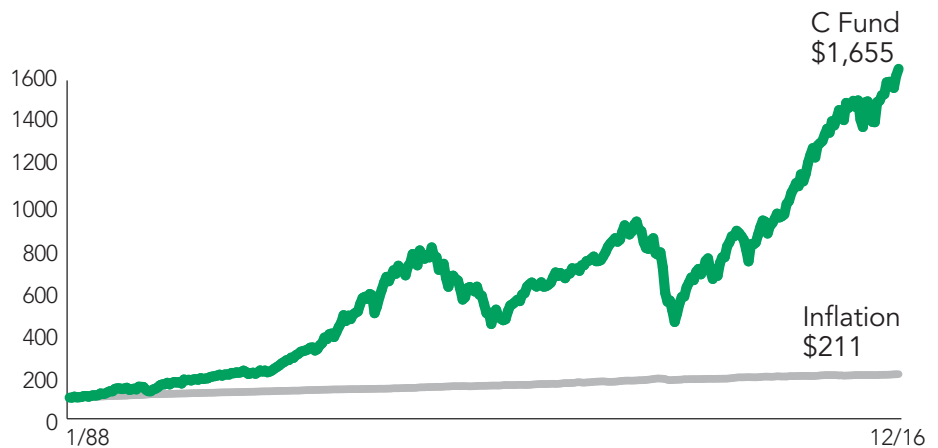
January 29, 1988

* After expenses

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.
- The objective of the C Fund is to match the performance of the Standard & Poor's 500 Stock Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
- There is a risk of loss if the S&P 500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks and dividend income.

Growth of \$100 Since Inception



S&P 500 Top Ten Holdings

as of December 31, 2016

Apple Inc.
Microsoft Corporation
Exxon Mobil Corporation
Johnson & Johnson
Berkshire Hathaway Inc. Class B

JPMorgan Chase & Company
Amazon.com Inc.
General Electric Company
Facebook Inc. Class A
AT&T Inc.

S FUND

SMALL CAPITALIZATION STOCK INDEX INVESTMENT FUND

Information

as of December 31, 2016

Assets

\$55.6 billion

Net Administrative Expenses*

\$0.38 per \$1,000 account balance,
0.038% (3.8 basis points)

Other Expenses**

0.041%

* An expense ratio of .038% translates to 3.8 basis points or \$0.38 per \$1,000 account balance.

** Fees associated with securities lending are not included in 2016 administrative expenses. Consistent with standard practice in the industry, they are charged in addition to administrative expenses. The other expenses represent fees paid to the investment manager for administering securities lending programs. Income earned from these programs improved the returns of the fund.

Benchmark Index

Dow Jones U.S.
Completion TSM Index
www.djindexes.com

Asset Manager

BlackRock Institutional Trust
Company, N.A.

Rates of Return

2007–2016



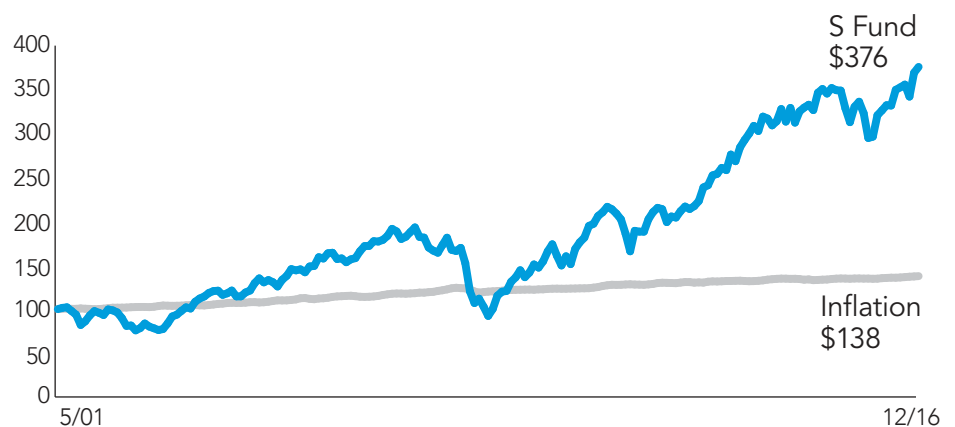
	S Fund*	Dow Jones U.S. Completion TSM Index
1-Year	16.35%	15.75%
3-Year	6.78%	6.36%
5-Year	14.84%	14.38%
10-Year	8.13%	7.91%
Since Inception	8.82%	8.73%
May 1, 2001		

* After expenses

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.
- The objective of the S Fund is to match the performance of the Dow Jones U.S. Completion Total Stock Market (TSM) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500 Index.
- 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).
- Earnings consist of gains (or losses) in the prices of stocks and dividend income.

Growth of \$100 Since Inception



Dow Jones U.S. Completion TSM Index Top Ten Holdings

as of December 31, 2016

Tesla Motors Inc.
Las Vegas Sands Corporation
Liberty Global PLC Class C
Incyte Corporation
T-Mobile US Inc.

Hilton Worldwide Holdings Inc.
First Republic Bank
BioMarin Pharmaceutical Inc.
MGM Resorts International
DISH Network Corp. Class A



I FUND

INTERNATIONAL STOCK INDEX INVESTMENT FUND

Information

as of December 31, 2016

Assets

\$34.9 billion

Net Administrative Expenses*

\$0.39 per \$1,000 account balance,
0.039% (3.9 basis points)

Other Expenses**

0.014%

* An expense ratio of .039% translates to 3.9 basis points or \$0.39 per \$1,000 account balance.

** Fees associated with securities lending are not included in 2016 administrative expenses. Consistent with standard practice in the industry, they are charged in addition to administrative expenses. The other expenses represent fees paid to the investment manager for administering securities lending programs. Income earned from these programs improved the returns of the fund.

Benchmark Index

MSCI EAFE Stock Index
www.msci.com

Asset Manager

BlackRock Institutional
Trust Company, N.A.

Rates of Return

2007–2016



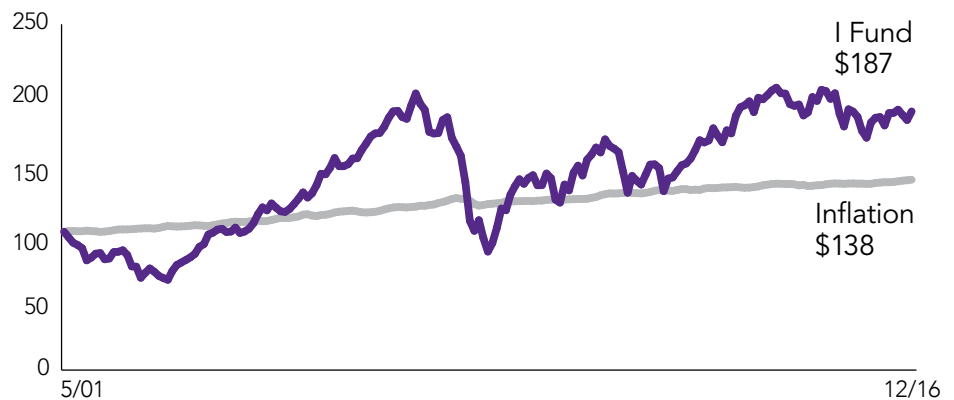
	I Fund*	EAFE Index
1-Year	2.10%	1.00%
3-Year	-1.27%	-1.60%
5-Year	6.87%	6.53%
10-Year	1.02%	0.75%
Since Inception May 1, 2001	4.07%	3.90%

* After expenses

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 the United States.
- The objective of the I Fund is to match the performance of the MSCI 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).
- Earnings consist of gains (or losses) in the prices of stocks, currency changes relative to the U.S. dollar, and dividend income.

Growth of \$100 Since Inception



MSCI EAFE Top Ten Holdings

as of December 31, 2016

Nestle SA	Royal Dutch Shell PLC Class A
Novartis AG	BP PLC
HSBC Holdings PLC	Total SA
Roche Holding Ltd Genussch	Royal Dutch Shell PLC Class B
Toyota Motor Corporation	British American Tobacco PLC



L FUNDS

LIFECYCLE FUNDS

Information

as of December 31, 2016

Assets

\$85.4 billion

Net Administrative and Other Expenses

Fund	2016 Net* Expenses	Other** Expenses
L 2050	.038%	.012%
L 2040	.038%	.011%
L 2030	.038%	.009%
L 2020	.038%	.007%
L Income	.038%	.003%

* An expense ratio of .038% translates to 3.8 basis points or \$0.38 per \$1,000 account balance.

** Fees associated with securities lending are not included in 2016 administrative expenses. Consistent with standard practice in the industry, they are charged in addition to administrative expenses. The other expenses represent fees paid to the investment manager for administering securities lending programs. Income earned from these programs improved the returns of the fund.

Investment Objective

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

Time Horizons

(when you expect to need the money)

Choose: If your time horizon is:

L 2050	2045 or later
L 2040	2035 through 2044
L 2030	2025 through 2034
L 2020	2018 through 2024
L Income	Now withdrawing or withdrawing before 2018

Inception

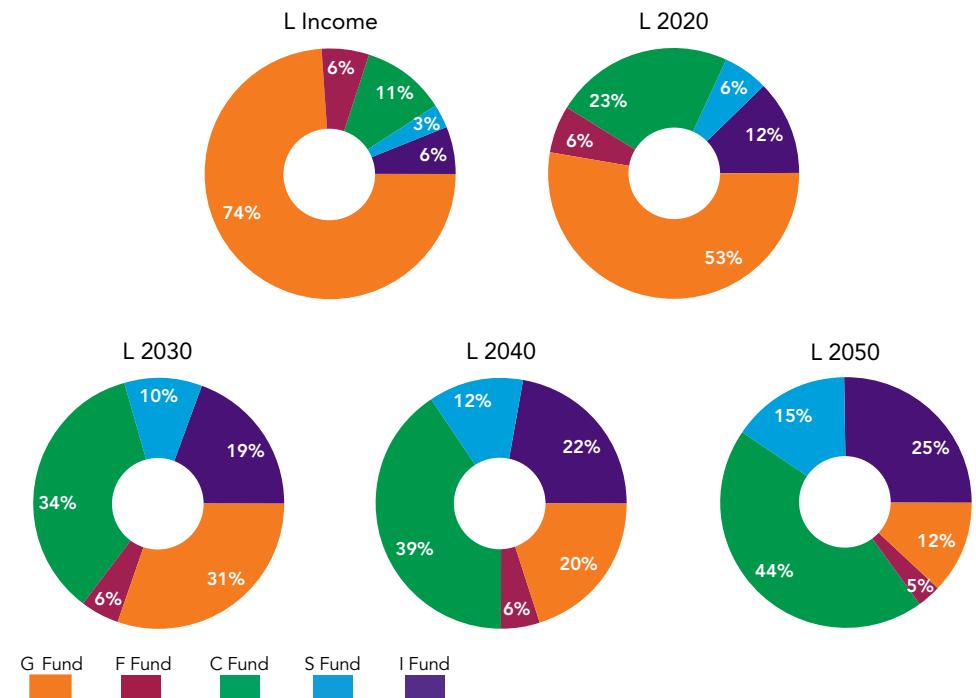
The first L Funds were introduced August 1, 2005

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 expected rate of return for the amount of risk expected.
- 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.

Allocation Targets*

As of January 2017



* Due to rounding, numbers may not add up to exactly 100%.

TSP WITHDRAWAL OPTIONS

Lump Sum

This option may be exercised for specific investment opportunity. However, all money from TSP will increase your gross taxable income.

Partial Withdrawal

A retiree can choose a specific dollar amount and the TSP will make payments until their account is exhausted.

Equal Monthly Payments

- A retiree can choose a specific dollar amount and the TSP will make payments until their account is exhausted.
- Monthly payments can also be based on life expectancy determined by IRS tables.

Lifetime Annuity

- Single Lifetime Income
- Joint Lifetime Income with Spouse
- Joint Lifetime Income with Someone Older Than Spouse
- Lifetime Income with 10 Years Certain
- Joint Life Annuities may provide either 50% or 100% survivor benefit.
- Annuity features that can be combined with above options include increasing payments, cash refund and ten-year certain.

Rollover to Individual Retirement Account

Transferring to an IRA or other qualified plan gives the retiree more control over their investment without paying lump sum taxes.

TSP Modernization Act

On November 17, 2017, the TSP Modernization Act was signed into law making the following changes to TSP.

The law allows both multiple partial post-separation withdrawals and multiple age-based withdrawals for participants who are still working and are older than 59 1/2. The law also will allow the election of quarterly or annual payments and periodic withdrawals that can be changed at any point in the year. Payments can also be stopped while leaving the account balance in TSP. The law also eliminates the withdrawal election deadline.

Since the Federal Retirement Thrift Investment Board has up to 2 years to issue regulations needed to implement the law's TSP changes, **TSP participants will have to wait on the regulations before utilizing these changed provisions.**

IMPORTANT NOTE:

Penalties may apply to withdrawals taken before age 59 1/2. You should consult with a tax advisor before any withdrawal decisions are made.

TSP ANNUITY EXAMPLES

EXAMPLE:

\$100,000 TSP Balance

Payments Begin at Age 60 and Spouse is Age 60

Based on December, 2011 Index of 2.250%

Life Only

- \$470.00 per month
- Highest monthly income option
- Payments are guaranteed until death, then payments end.

100% Joint Life Annuity

- \$393.00 per month
- Lower monthly income; however, spouse will receive same payment after first annuitant's death.

50% Joint Life Annuity

- \$464.00/\$232.00 per month
- Annuity will be reduced by one-half upon death of either spouse.

Life with 10-Year Certain

- \$464.00 per month
- Payments will be guaranteed for your life or 10 years if you should die earlier.

Life with Cash Refund

- \$442.00 per month
- Payments for the insured's life and a refund of difference between payments made and initial balance if insured dies before initial amount is paid in full.
- Cash refund will reduce monthly benefit. It can also be applied to other annuity options.

FEDERAL EMPLOYEES HEALTH INSURANCE PLANS

General Overview

The Federal Employees Health benefits (FEHB) Program became effective in 1960. It is the largest employer-sponsored group health insurance program in the world, covering over 9 million Federal Employees, retirees, former employees, family members and former spouses. Each health plan carrier under the FEHB Program charges a different premium. The Government pays up to 75% of the cost of your health benefits coverage, and you pay the remainder, based on a formula set by law.

Who Provides the Coverage?

Over 350 health plans are offered under the FEHB Program. Of the 14 available fee-for-service plans, seven are open to all enrollees, while another seven are available only to specific categories of employees. In addition, health maintenance organizations (HMOs) are available in most areas of the United States. You must live or work within a defined area to be eligible to enroll in a particular HMO.

Each year an Open Season is held for FEHB Program enrollees to change health plans and/or the type of enrollment they have. Eligible employees may also enroll during this time. Open Season runs from the Monday of the second full workweek in November through the Monday of the second full workweek in December.

There are limited opportunities to enroll, cancel your enrollment, or change your enrollment outside of an open season.

General Eligibility for Coverage

Family members **eligible** for coverage under your Self Plus One or Self and Family enrollment are your spouse (including a valid common law marriage) and **children** under age 26, including legally adopted **children**, stepchildren, and recognized natural (born out of wedlock) **children**.

A child age 26 or over who is *incapable of self-support* because of a mental or physical disability that existed before age 26 is also an eligible family member. In determining whether the child is a covered family member, your employing office will look at the child's relationship to you as the enrollee.

A grandchild is not an eligible family member, unless the child qualifies as your foster child.

TYPES OF FEHB PLANS

Fee-for-Service Plans

These plans reimburse you or your health care provider for the cost of covered services. You may choose your own physician, hospital, and other health care providers. Most fee-for-service plans have preferred provider (PPO) arrangements. If you receive services from a preferred provider, you usually have lower out-of-pocket expenses (i.e., a smaller co-payment and/or a reduced or waived deductible). All fee-for-service plans require pre-certification of inpatient admissions and preauthorization of certain procedures.

Fee-for-service plans include:

- The Government wide Service Benefit Plan administered by the Blue Cross & Blue Shield Association on behalf of Blue Cross & Blue Shield Plans and is open to everyone eligible to enroll under the FEHB Program.
- Plans sponsored by unions and employee organizations. Some of these plans are open to all Federal employees who hold full or associate memberships in the organizations that sponsor the plans. Others are restricted to employees in certain occupational groups and/or agencies. Generally, the employee organization requires a membership fee or dues paid directly to the employee organization, in addition to the premium. The fee is set by the employee organization and is not negotiated with OPM.

Health Maintenance Organizations

Health Maintenance Organizations (HMOs) provide or arrange for comprehensive health care services on a prepaid basis through designated plan physicians, hospitals, and other providers in particular locations. Each HMO sets a geographic area for which health care services will be available. This is called a Service Area. This area is described in the plan's brochure. You may join a particular HMO if you live within its service area. Some plans also accept enrollments from employees who work in the area even though they live elsewhere. **If you have questions about whether you live or work within a HMO's service area, you should contact them before you enroll.**

Generally, you must choose a primary care physician and have all care coordinated through that physician. Your physician is responsible for obtaining any pre-certification required for inpatient admissions or other procedures.

The three types of HMOs are:

- **Group Practice Plans** – Provide care through groups of physicians who practice at medical centers.
- **Individual Practice Plans** – Provide care through participating physicians who practice in their own offices.
- **Mixed Model Plans** – A Combination of Group and Individual Practice Plans.

Point of Service

Some fee-for-service plans and HMOs offer a point of service product. This gives you the choice of using a designated network of providers or using non-network providers at an additional cost to you. If you don't use network providers, you must pay substantial deductibles, coinsurance and co-payments.

Basic Medicare Provisions

Types of Enrollment

- Self Only
- Self Plus One
- Self and Family
- Both Husband and Wife Eligible to Enroll

Self Only

A self only enrollment provides benefits only for you as the enrollee. You may enroll for self only even though you have a family, but they will not be eligible for FEHB coverage (even upon your death or disability).

Self Plus One

A Self Plus One enrollment covers the enrollee and one designated eligible family member. The definition of eligible family members has not changed. Your eligible family member can include either a spouse **OR** a child up to age 26. A child age 26 or over who is incapable of self-support because of a mental or physical disability that existed before age 26 is also an eligible family member.

Self and Family

A self and family enrollment provides benefits for you and your eligible family members. All of your eligible family members are automatically covered, even if you didn't list them on your Health Benefits Election Form (SF 2809) or other appropriate request. You cannot exclude any eligible family member and you cannot provide coverage for anyone who is not an eligible family member.

You may enroll for self and family coverage before you have any eligible family members. Then, a new eligible family member (such as a newborn child or a new spouse) will be automatically covered by your family enrollment from the date he/she becomes a family member. When a new family member is added to your existing self and family enrollment, you do not have to complete a new SF 2809 or other appropriate request, but your carrier may ask you for information about your new family member. You will send the requested information directly to the carrier. Exception: If you want to add a foster child to your coverage, you must provide eligibility information to your employing office.

Both Husband and Wife Eligible to Enroll

If both you and your spouse are eligible to enroll, one of you may enroll for self and family to cover your entire family. If you have no eligible children to cover, each of you may enroll for self only in the same or different plans. Generally, you will pay lower premiums for two self only enrollment

Eligibility for Health Benefits After Retirement

When you retire, you are eligible to continue health benefits coverage if you meet all of the following requirements:

- You are entitled to retire on an immediate annuity under a retirement system for civilian employees (including FERS MRA + 10 Retirements); *and*
- You have been continuously enrolled (or covered as a family member) in any FEHB plan(s) for the 5 years of service immediately before the date your annuity starts, or for the full period(s) of service since your first opportunity to enroll (if less than 5 years).

When you elect not to enroll or cancel your enrollment, you certify by your signature on the Health Benefits Election form (SF 2809) that you understand the effect this has on your eligibility to carry coverage into retirement.

MRA + 10

If you are a separating employee covered under FERS and you qualify for an immediate annuity under the **Minimum Retirement Age (MRA) + 10 Provision**, you can continue your enrollment when your annuity starts, as long as you meet the requirements for continuing coverage.

If you postpone receipt of your annuity, your enrollment will terminate when you separate from your employment. You will be eligible for temporary continuation of coverage (TCC) or to convert to an individual contract. You may choose to resume FEHB coverage on the date you select for your annuity to begin.

Break In Service

Breaks in service are not counted as interruptions when the 5 years of service requirement is determined as long as you re-enroll within 60 days after your return to Federal service.

LONG TERM CARE

Long Term Care Insurance is a smart way to protect your income and assets and remain financially independent should you need long term care services at home, in a nursing home or assisted living facility, or in other settings. Most health insurance programs, including the FEHB Program and TRICARE & TRICARE for Life, provide little or no coverage for long term care. And, as you may know, long term care services can be extremely expensive.

These are the current national averages for long term care services:

- \$20/hour for a home health aide
- \$61/day for care in an adult day care center
- \$3,270/month for care in an assisted living facility
- \$207/day for a semiprivate room in a nursing home
- \$235/day for a private room in a nursing home
- **Home Care** – which most people prefer – is generally more affordable than nursing home care but still can be expensive. When averaged nationally, the cost of a six-hour visit by a home health aide is \$120 per day. That's \$31,200 per year for a home health aide visiting five hours per day, five days a week.

Is Buying Long Term Care Insurance a Smart Financial Move?

For many, it is. Especially when you consider that approximately 70% of people over age 65 will require some long term care services at some point in their lives. This does not mean you should assume you're too young to need the protection that long term care insurance provides if you're under age 65. Unexpected injury or illness, which can occur at any age, can also cause the need for long term care. That's why the U.S. Office of Personnel Management (OPM) sponsors the Federal Long Term Care Insurance Program (FLTCIP). It's important to see what may make this Federally sponsored program the right choice for you.

Long Term Care Insurance Eligibility

Federal and U.S. Postal Service employees and annuitants, active and retired members of the uniformed services, and their qualified relatives are eligible to apply for coverage under the Federal Long Term Care Insurance Program (FLTCIP). Specifically, persons in the following groups are eligible to apply for coverage:

1. Employees

- Federal employees in positions that convey eligibility for the Federal Employees Health Benefits Program (whether or not they are actually enrolled in FEHB)
- U.S. Postal Service (USPS) employees in positions that convey eligibility for the Federal Employees Health Benefits Program (whether or not they are actually enrolled in FEHB)
- Active members of the uniformed services on active duty or full-time National Guard duty for more than 30 days
- Active members of the Selected Reserve (members of the Individual Ready Reserve are not eligible to apply)
- Tennessee Valley Authority employees (even though they may not be eligible for FEHB coverage)
- D.C. Government employees first employed by the D.C. Government before October 1, 1987
- Navy Personnel Command (BUPERS) NAF employees.

2. Annuitants

- Federal or USPS annuitants, including survivor annuitants and deferred annuitants (but not former spouses, even if receiving and apportionment of annuity)
- Retired members of the uniformed services who are entitled to retired or retainer pay
- Separated employees with title to a deferred annuity, even if they are not yet receiving that annuity
- Tennessee Valley Authority annuitants
- Compensationers receiving compensation from the Department of Labor
- D.C. Courts annuitants
- Navy Personnel Command (BUPERS) NAF annuitants

3. Qualified Relatives: If you are a qualified relative as described below, you can apply even if the person you're related to does not apply, or even if the person you're related to applies but is not approved for coverage.

- Spouses of employees listed above
- Spouses of annuitants listed above
- Surviving spouses of active and retired members of the uniformed services receiving a Federal Survivor Annuity
- D.C. Government annuitants first employed by the D.C. Government before October 1, 1987
- Retired "Grey" Reservists, even if they are not yet receiving their retired pay
- D.C. Courts employees
- Active members of the uniformed services on active duty or full-time National Guard duty for more than 30 days
- Parents, parents-in-law, and stepparents of living employees listed above (parents, parents-in-law and stepparents of annuitants and retired members of the uniformed services are not eligible)
- Adult children (at least 18 years old, including adopted or step children) of living employees or annuitants above
- Same-sex domestic partners of Federal or U.S. Postal Service employees or annuitants who have submitted (either directly or through their partner) a declaration form affirming this status to the partner's employing agency or retirement system This does not include a same-sex domestic partner of an active or retired member of the uniformed services. Before you apply as a same-sex domestic partner, please visit www.LTCFEDS.com to download the declaration form, as well as to obtain important information about filing the form.

Features and Services

Home, Assisted Living and Nursing Home Care

The FLTCIP provides comprehensive coverage, regardless of whether you receive care at home, in an assisted living facility, in a nursing home, or in an inpatient hospice care environment. Additionally, the FLTCIP covers care provided in the home by friends, family members, and other unlicensed caregivers who did not normally live in your home at the time you became eligible for benefits. When informal care is provided by your family members, it is covered for up to 500 days. Up to 100% of your daily benefit amount is available for:

- Home care provided by a nurse, home health aide, therapist or other authorized provider (including a friend or family member authorized to act as an informal caregiver).
- Care provided in the community, such as adult day care.
- Care, room & board and other services provided in a facility setting, including assisted living and nursing home facilities.

Stay-At-Home Benefit

The ability to receive long term care at home can be an important factor in maintaining quality of life. The FLTCIP offers numerous options that support care in a home environment. The stay-at-home benefit is a separate pool of money equal to 30 times your daily benefit amount. The waiting period does not apply to the stay-at-home benefit. Except for care planning visits, you must be living at home in order to be eligible for the stay-at-home benefit. It can pay benefits for:

- **Care Planning Visits:** A professional assists you in developing a plan to meet your long term care needs, including identifying helpful community resources.
- **Home Safety Checks:** A professional evaluates your home environment in areas such as the need for safety bars in the bathroom, how furniture is arranged, doorway and hallway widths and appliance and cabinet heights.
- **Home Modifications:** Improvements that can help you better manage long term care in a home setting, such as adding hand grips in a bathtub or installing wheelchair ramps.
- **Emergency Medical Response System:** A communication system can be installed in your home that can be used to call for assistance in a medical emergency (not a home security system).
- **Durable Medical Equipment:** Provided to assist you to safely perform the normal activities of daily living – includes wheelchairs, walkers, crutches and hospital-style beds.
- **Caregiver Training:** Pays training expenses for a family member or other informal caregiver to learn about how to care for you. The max amount payable in your lifetime for caregiver training is 7 times your daily benefit amount.

Benefits paid under the stay-at-home benefits will not reduce your maximum lifetime benefit.

Portability

Once you have coverage, it is portable. You can keep it as long as you continue to pay the required premiums and have not exhausted your maximum lifetime benefit, even if you are no longer a member of an eligible group (for example, if you leave government employment).

Guaranteed Renewable

Your insurance coverage is guaranteed renewable. It can never be canceled by the insurance carrier as long as you pay your premiums. It cannot be canceled due to your age or a change in your health.

Waiver of Premiums

Once you have completed your waiting period, you do not pay premiums while you are receiving benefits.

Convenience of Payroll and Annuity/Pension Deductions

The FLTCIP offers the convenience of payroll and annuity/pension deductions of premiums to employees and annuitants, for themselves and/or their qualified relatives. These automatic premium deductions can ensure that your premiums will be paid on time. This service is available to most enrollees.

Alternate Plan of Care

In certain circumstances, our care coordinators can authorize customized benefits for services that are not specifically covered under the FLTCIP. For example, under an alternate plan of care, we will consider a facility that is not normally covered under the program if it meets your needs. The flexibility of an alternate plan of care allows the program to provide you with benefits for cost-effective care and the services you want and need.

Generous Informal Caregiver Provisions

The FLTCIP covers approved care provided at home by informal caregivers such as friends, family members, and other non-licensed caregivers. When informal care is provided by non-family members, it is covered for the benefit period you've selected (2 years, 3 years, 5 years, or unlimited). When informal care is provided by family members, it is covered for up to 500 days of care in your lifetime. Informal caregivers cannot have lived with you at the time you became eligible for benefits, but they can live in your home after you become eligible for benefits.

International Benefits

Because this program was designed exclusively for the Federal Family, it features international benefits that provide coverage for enrollees who live or may require care outside the United States. When you receive such services, the FLTCIP pays benefits up to 80% of the benefit amounts shown on your Schedule of Benefits. If your Schedule of Benefits shows that you have a 2, 3 or 5 year benefit period, 80% of your maximum lifetime benefit (MLB) can be used for covered services you receive outside the United States. The remaining 20% will be available for covered services you receive in the United States. If your Schedule of Benefits shows that you have an unlimited MLB, benefits payable for any covered services you receive outside of the United States will be limited to 10 years. For such services, your MLB will be equal to 3,650 days (10 years) x 80% of your daily benefit amount. Your MLB for covered services you receive in the United States will remain unlimited.

Bed Reservations

If you are in an assisted living facility, nursing home or hospice facility and need to leave that facility for any reason (for example, you need to be hospitalized), the bed reservations feature in your coverage will pay up to 100% of the daily benefit amount for up to 60 days per calendar year to hold your space.

Respite Care

This benefit provides you with temporary care if your caregiver (such as a family member) needs to take some time off. Respite care is covered up to 30 times the daily benefit amount per calendar year and there is no waiting period requirement. It includes:

- Respite care in a nursing home, assisted living facility, or hospice facility
- Respite care by a formal or informal caregiver at home
- Respite care at an adult day care center

No War Exclusion

Unlike coverage under some other long term care insurance plans, coverage under the FLTCIP does not have a war exclusion. As a result, benefits may be payable for conditions due to war or acts of war, declared or undeclared, or service in the armed forces or auxiliary units. There is also no catastrophic event limitation.

Key Features

Because there is no one-size-fits-all when it comes to long term care insurance, the FLTCIP gives you the opportunity to choose among options in three areas:

- Daily Benefit Amount (DBA)
- Benefit Period
- Inflation Protection Options

If you have any questions about your options, please call 1-800-LTC-FEDS (1-800-582-3337; TTY: 1-800-843-3557) or visit www.LTCFEDS.com.

Daily Benefit Amount (DBA)

This is the maximum amount your insurance will pay in any single day. The FLTCIP offers eight DBAs from \$100 to \$450 in \$50 increments.

What DBA is Right for Me?

If you want your DBA to approximately match the 2011 national average daily cost of nursing home care, you may want to choose a \$200 DBA. If you are able to pay a portion of the cost of care out of your own pocket (for example, from your savings) or if you live in an area where the cost of care is lower than the national average, you may want to choose a lower DBA. On the other hand, you may want to choose a higher DBA if you live in an area where the cost of care is higher than the national average. It is important to keep in mind that services can be more costly in metropolitan areas.

Benefit Period

This is the length of time benefits will be paid if you receive benefits each and every day equal to your DBA. You can choose from a 2 year, 3 year, 5 year or unlimited benefit period. If you receive services that cost less than your DBA or you don't receive services every day, your benefits will last longer than your benefit period. The benefit period is used together with the DBA to calculate the maximum lifetime benefit.

What Benefit Period is Right for Me?

According to the US Department of Health and Human Services, the average length of stay in a nursing home is 2.4 years³. Those who want a basic level of protection or who plan on paying out of pocket for a portion of their long term care needs may wish to consider the 2 year benefit period. The 3 year benefit period corresponds to the average length of stay in a nursing home. It is important to note that future advances in medical care could mean longer life expectancy and a greater chance of outliving your benefits. For this reason, you may wish to consider the 5 year benefit period or the unlimited benefit period.

What is a Maximum Lifetime Benefit (MLB)?

The maximum lifetime benefit (MLB) is the maximum amount your coverage can pay. To calculate your MLB, multiply your DBA by your benefit period (in days). FLTCIP benefit periods: 2 years (730 days), 3 years (1,095 days), 5 years (1,825 days) or the unlimited benefit period (no maximum lifetime benefit).

Example: The following is the MLB calculation for an enrollee with a DBA of \$150 and a 3 year benefit period:

$$\mathbf{\$150 \times 1,095 \text{ Days} = \$164,250 \text{ Maximum Lifetime Benefit}}$$

The Future Purchase Option (FPO)

With this option, you are given the opportunity to increase your DBA and maximum lifetime benefit every two years with a corresponding increase in your premium. Premiums are not guaranteed. You may decline the increase an unlimited number of times. The increase in your benefits is based on the U.S. Department of Labor's Consumer Price Index for All Urban Consumers (CPI-U).

Prepackaged Plans

The FLTCIP offers four prepackaged plans that you can choose from. For the plan you select, you will need to choose an inflation protection option. If you prefer other plan designs, you can create a customized plan.

PLAN A: Consider this plan if you want protection but are looking for a lower-cost option, if you will be living in an area where long term care costs are low, or if you plan to pay out of pocket for some of the costs of long term care in the future, if needed.

- Daily Benefit Amount: \$150
- Maximum Lifetime Benefit: \$109,500
- Benefit Period: 2 Years
- Waiting Period: 90 Calendar Days
- Inflation Protection Options:
 - 4% Automatic Compound Inflation Option
 - 5% Automatic Compound Inflation Option
 - Future Purchase Option

PLAN B: Consider this plan if you want protection for at least three years, which corresponds to the current average length of stay in a nursing home, or if you will be living in an area where long term care costs are low.

- Daily Benefit Amount: \$150
- Maximum Lifetime Benefit: \$164,250
- Benefit Period: 3 Years
- Waiting Period: 90 Calendar Days
- Inflation Protection Options:
 - 4% Automatic Compound Inflation Option
 - 5% Automatic Compound Inflation Option
 - Future Purchase Option

PLAN C: Consider this plan if you want protection for at least three years, which corresponds to the current average length of stay in a nursing home, or if you will be living in an area where long term care costs are roughly the same as the national average.

- Daily Benefit Amount: \$200
- Maximum Lifetime Benefit: \$219,000
- Benefit Period: 3 Years
- Waiting Period: 90 Calendar Days
- Inflation Protection Options:
 - 4% Automatic Compound Inflation Option
 - 5% Automatic Compound Inflation Option
 - Future Purchase Option

PLAN D: Consider this plan if you will be living in an area where long term care costs are around the national average but you want protection for a longer period of time.

- Daily Benefit Amount: \$200
- Maximum Lifetime Benefit: \$365,000
- Benefit Period: 5 Years
- Waiting Period: 90 Calendar Days
- Inflation Protection Options:
 - 4% Automatic Compound Inflation Option
 - 5% Automatic Compound Inflation Option
 - Future Purchase Option

Customized Plans

If you choose to customize a plan, you can pick the options that best suit your needs. You must make a choice for each of the three key features, noted below. To find the premiums for your customized plan, visit www.LTCFEDS.com/rate/ to use the *Calculate FLTCIP Premiums* tool.

Premiums are set with the expectation that they will be sufficient, but they are not guaranteed. Your premium will not change because you get older or your health changes or for any other reason related solely to you. However, your premiums may increase if you are among a group of enrollees whose premium is determined to be inadequate. While the group policy is in effect, OPM must approve the change.

1. Daily Benefit Amount (DBA):

\$100	\$150	\$200	\$250
\$300	\$350	\$400	\$450

2. Benefit Period:

2 Years	v	5 Years	Unlimited
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3. Daily Benefit Amount (DBA):

- 4% Automatic Compound Inflation Option
- 5% Automatic Compound Inflation Option
- Future Purchase Option

Qualifying for Benefits

If you apply for coverage and are approved, you will be eligible for benefits after your coverage becomes effective and when a licensed health care practitioner certifies, and we agree, that you are unable to perform at least two of six activities of daily living without substantial assistance for a period expected to last at least 90 days or you require substantial supervision to protect yourself due to a severe cognitive impairment such as Alzheimer's disease. The six activities of daily living are:

- Bathing
- Dressing
- Transferring (from Bed to Chair)
- Continence
- Eating
- Toileting

Outline of Coverage

This outline provides a brief description of the most important features of coverage available under the FLTCIP. Since all long term care insurers are required to issue outlines of coverage, you should compare this outline to outlines for other policies you may be considering. This outline is not an insurance contract, but only a summary of coverage. If you apply for coverage and are approved, the Benefit Booklet and the Schedule of Benefits will contain the governing contractual provisions that relate specifically to you. Other rights are contained in the Group Policy that OPM has with us. OPM has reviewed and approved this outline to assure its accuracy. If you apply for coverage offered under the FLTCIP and your application is approved, you will automatically receive a copy of the Benefit Booklet. **It is important that you read your Benefit Booklet carefully!**

Long term care insurance coverage is designed to cover services you need when you are unable to perform certain activities of daily living or need care due to a severe cognitive impairment. The long term care insurance provided under the FLTCIP is designed to provide reimbursement for costs of necessary diagnostic, preventive, therapeutic, curative, rehabilitative, maintenance or personal care services, provided in a setting such as an assisted living facility, a nursing home, an adult day care center, or your home, but not in an acute care unit of a hospital. The FLTCIP provides reimbursement, based on the Daily Benefit Amount you select, for actual charges you incur for covered long term care expenses, subject to the limitations, exclusions and waiting period described in this outline. Medical insurance and Medicare are entirely different than long term care insurance. They are primarily designed to cover acute care, and not long term care services. If you are eligible for Medicare you need to know that the long term care insurance coverage under the Federal Long Term Care Insurance Program is not Medicare Supplement Coverage. If you want to learn more about Medicare Supplement Coverage, see the *Guide to Health Insurance for People with Medicare*.

Effective Date of Coverage and Actively at Work Requirement

Coverage under the FLTCIP becomes effective on the first day of the month after the month in which you are approved. For example, if you are approved for coverage on April 15, your coverage becomes effective May 1. If you are an Employee or a Member of the Uniformed Services who submitted an abbreviated underwriting application, you must be Actively at Work at least one day during the calendar week immediately prior to the week which contains the Original Effective Date shown on your Schedule of Benefits. From time to time, OPM may implement revised Actively at Work requirements for specified periods under the FLTCIP.

What is Covered by the FLTCIP?

The FLTCIP provides reimbursement for actual charges you incur for covered services up to the following percentages:

COVERED SERVICES	DAILY REIMBURSEMENT UP TO
Nursing Home, Assisted Living Facility or Hospice Facility	100% of your Daily Benefit Amount
Bed Reservations	100% of your Daily Benefit Amount. Benefits limited to 60 days per calendar year and will be reduced by any days you received Bed Reservation Benefits under any prior FLTCIP Benefit Booklet
Home Care and Adult Day Care	100% of your Daily Benefit Amount
Respite Services	100% of your Daily Benefit Amount. Benefits limited to 30 times your Daily Benefit Amount per calendar year and will be reduced by any benefits you received for Respite Services under any prior FLTCIP Benefit Booklet
Formal Caregiver Services	100% of your Daily Benefit Amount
Informal Caregiver Services	100% of your Daily Benefit Amount Benefits for Informal Caregiver Services are limited to those individuals who did not normally live in your home at the time you became eligible for benefits Benefits for care provided by Family Members are limited to 500 days in your lifetime and will be reduced by any benefits you received for Informal Caregiver Services provided by Family Members under any prior FLTCIP Benefit Booklet
Hospice Care at Home	100% of your Daily Benefit Amount
Stay-at-Home Benefit	30 times your Daily Benefit Amount

Maximum Lifetime Benefit

Your Maximum Lifetime Benefit is the total amount of money that we may pay for charges you incur for covered services. It is equal to your benefit period (in days) multiplied by your Daily Benefit Amount. Your maximum lifetime benefit will be reduced by the amount of benefits paid, except for the Stay-at-Home Benefit. If you have an unlimited benefit period, your maximum lifetime benefit is also unlimited. Your maximum lifetime benefit will be reduced by any benefit payments made under any prior Benefit Booklet issued to you under the FLTCIP.

What is Not Covered by the FLTCIP?

Like most long term care insurance plans, the FLTCIP does not pay benefits for any of the following:

- Illness, treatment, or medical condition arising out of:
 - your participation in a felony, riot or insurrection;
 - your attempted suicide, while sane or insane; or
 - injuries you intentionally inflict on yourself
- Care or treatment for alcoholism or drug addiction;
- Care or treatment provided in a government facility, including a Department of Defense or Department of Veterans Affairs facility, unless otherwise required by law;
- Care you receive while in a hospital, except in a unit specifically designated as a nursing home or hospice facility;
- Any service or supply to the extent the expense for it is reimbursable under Medicare or would be so reimbursable except for the application of a deductible, coinsurance, or co-payment amount. This exclusion will not apply in those instances where Medicare is determined to be the secondary payer under applicable law);
- Services or supplies for which you are not obligated to pay in the absence of insurance; or
- Services provided by any person who normally lived in your home at the time you became eligible for benefits.

For a complete list of covered and non-covered services and to receive premium information, please refer to **FLTCIP Outline of Coverage** available by calling 1-800-LTC-FEDS (1-800-582-3337; TTY: 1-800-843-3557).

WHAT IS A FLEXIBLE SPENDING ACCOUNT?

A Flexible Spending Account (FSA) is a tax-favored program offered by employers that allows their employees to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars. By using pre-tax dollars to pay for eligible health care and dependent care expenses, an FSA gives you an immediate discount on these expenses that equals the taxes you would otherwise pay on that money.

In other words, with an FSA, you can both reduce your taxes and get more for your money by saving from 20% to more than 40% you would normally pay for out-of-pocket health care and dependent care expenses with after-tax (as opposed to taxed) dollars.

Annual Tax Savings Example*	CSRS		FERS	
	FSA	No FSA	FSA	No FSA
If your taxable income is:	\$50,000	\$50,000	\$50,000	\$50,000
Pre-tax FSA contribution:	\$2,000	0	\$2,000	0
Taxable income:	\$48,000	\$50,000	\$48,000	\$50,000
Federal income and Social Security Taxes:	\$8,820	\$9,350	\$11,797	\$12,450
After-tax dollars spent on eligible expenses:	0	\$2,000	0	\$2,000
Available after-tax income:	\$39,180	\$38,650	\$36,203	\$35,550
Discount with an FSA	\$530* or 26%		\$653* or 33%	

* This example illustrates potential tax savings based on 25% Federal and 7.65% FICA taxes for FERS employees; 1.45% FICA taxes for CSRS employees. This results in up to a 33% savings for FERS employees, 26% for CSRS employees, on eligible expenses reimbursed from an FSA. This example is based on 2011 withholding estimates for a single filer as illustrated by IRS Publication 505 (January 2011). Actual savings will vary based on your individual tax situation. You may wish to consult a tax professional for more information on the tax implications of an FSA.

FSAFEDS Offers Three Types of FSA's:

1. Health Care Flexible Spending Account (HCFSA)

- Reimburses eligible health care expenses not covered or reimbursed by:
 - Federal Employees Health Benefits Program (FEHB)
 - Federal Employees Dental and Vision Insurance Program (FEDVIP)
 - Any other insurance coverage
- Covers expenses for you and/or your tax dependents; including adult children, through the end of the calendar year in which they turn 26.
- \$5,000 maximum is **NOT** a household limit
 - Your spouse can have a separate HCFSA

2. Limited Expense HCFSA (LEX HCFSA)

- Reimburses **ONLY** eligible dental and vision expenses not covered or reimbursed by:
 - Federal Employees Health Benefits Program (FEHB)
 - Federal Employees Dental and Vision Insurance Program (FEDVIP)
 - Any other insurance coverage
- You **MUST** be enrolled in, or covered by, a High Deductible Health Plan in 2012 **AND** have a Health Savings Account in 2012.
- Covers expenses for you and/or your tax dependents; including adult children, through the end of the calendar year in which they turn 26.
- \$5,000 maximum is **NOT** a household limit
 - Your spouse can have a separate account

3. Dependent Care Flexible Spending Account (DCFSA)

- Reimburses eligible day care expenses for your:
 - Children **UNDER** age 13
 - Dependents on your Federal tax return who are incapable of self-care
- You (and your spouse, if married) must be:
 - Working, or looking for work (with income during the year), or
 - Attending school full time
- \$5,000 maximum **IS** a household limit
 - Includes child care subsidy amounts and other FSA dependent care accounts
 - Maximum is \$2,500 if married filing separately

HCFSA — WHAT'S ELIGIBLE?

ELIGIBLE EXPENSES	ELIGIBLE EXPENSES	NOT ELIGIBLE EXPENSES
<ul style="list-style-type: none"> • Co-Payments, Co-Insurance and Deductibles • Acne Treatments** • Acupuncture • Blood Pressure Monitors • Body Scans • Childbirth Classes • Chiropractic Care • Contact Lenses, Solutions, Cleaners and Cases • Dental Care (including Crowns, Endodontic Services, Fillings, Implants, Oral Surgery, Periodontal Services and Sealants, but not toothpaste or porcelain veneers) • Diabetic Supplies • First Aid Kits • Flu Shots • Foot Care (e.g., athlete's foot products, arch supports, callous removers, etc.) • Hand Sanitizer • Hearing Aids (including batteries) • Home Diagnostic Tests and Kits (e.g., cholesterol, colorectal screenings, etc.) • Home Medical Equipment (e.g., crutches, wheelchairs, canes, oxygen, respirators, etc.)* • Laser eye surgery • Learning disability treatments and therapies (including speech therapy and remedial reading)* 	<ul style="list-style-type: none"> • Medical Supplies • Mental Health Counseling • Occupational therapy • Orthodontia • Orthopedic shoes* • Orthotic inserts • Over-the-counter medical items such as, but not limited to, band aids, braces & supports and reading glasses • Physical Therapy • Prescription Drugs • Preventive Care Screenings • Prosthetics • Psychiatric Services and Care • Service Animals • Shipping and handling charges for medical needs, such as eligible over-the-counter items and mail-order prescriptions • Smoking cessation programs (including over-the-counter treatments**) • Specialized equipment and services for disabled persons* • Substance abuse treatment • Sunscreen • Transportation expenses related to medical care • Vision care (including eyeglasses, prescription sunglasses, refractions and vision correction procedures. 	<ul style="list-style-type: none"> • Day Care Expenses • Cosmetic Procedures (unless required to restore appearance or function due to disease or illness) • Expenses reimbursed by other sources such as insurance • Fitness programs (unless medically necessary*) • Hair transplants • Illegal treatments, operations & drugs • Insurance premiums, including COBRA, Tricare, dental, vision and long-term care insurance • Over-the-counter drugs and medicines (except insulin) unless prescribed by a physician • Physician retainer fees including boutique and concierge practice membership fees • Prescription drug discount program fees • Weight loss programs and drugs for general well-being • Expenses incurred or claims submitted after the cutoff (see your plan for details)

** These expenses require a Letter of Medical Necessity from your health care provider in order to be considered eligible for reimbursement.*

*** Over-the-Counter (OTC) drugs and medicines (except insulin) are only eligible for reimbursement when prescribed by a physician.*

LEX HCFSA — WHAT'S ELIGIBLE?

ELIGIBLE EXPENSES	NOT ELIGIBLE EXPENSES
<ul style="list-style-type: none"> • Co-Payments, Co-Insurance and Deductibles related to dental and/or vision insurance coverage • Contact Lenses, Solutions, Cleaners and Cases • Crowns • Dental Cleanings • Eyeglasses • Fillings • Over-the-counter items such as denture care products (but not toothpaste or porcelain veneers) 	<ul style="list-style-type: none"> • Day Care Expenses • Health care expenses that are not for dental or vision care • Cosmetic Services, even if dental or vision related (unless required to restore appearance or function due to disease or illness) • Insurance premiums, including COBRA, Tricare, dental, vision and long-term care insurance • Expenses you claim on your income tax return • Expenses reimbursed by other sources, such as insurance • Over-the-counter drugs and medicines (except insulin) unless prescribed by a physician • Expenses incurred or claims submitted after the cutoff (see your plan for details)

DCFSA — WHAT'S ELIGIBLE?

ELIGIBLE EXPENSES	NOT ELIGIBLE EXPENSES
<ul style="list-style-type: none"> • Child care (at a day care center, day camp, sports camp, nursery school or by a private sitter) • Late pick-up fees • Before and after-school care (must be billed separately from tuition) • Adult day care expenses • Expenses for a housekeeper whose duties include caring for an eligible dependent • Placement fee expenses and stipend for an Au pair <p><i>Note: Eligible day care services cannot be provided by a person you claim as a dependent.</i></p>	<ul style="list-style-type: none"> • Health care expenses • Education and tuition fees • Expenses you claim on your income tax return • Late payment fees • Overnight camps (in general) • Sports lessons, field trips, clothing, uniforms • Transportation to and from day care • Expenses incurred or claims submitted after the cutoff (see your plan for details)

Why should I use an FSA for health care expenses rather than deducting the expenses on my income tax return?

Only medical expenses that exceed 7.5% of your Adjusted Gross Income (AGI) can be deducted on your Federal Income Tax form. However, FSAs are tax-free from the first dollar. You do not have to meet the 7.5% AGI minimum before receiving the deduction. Further, money set aside through an FSA is also exempt from FICA (social security) taxes. This exemption is not available on your Federal Income Tax return. However, you may wish to consult with a tax professional to determine which option is best for you.

Qualifying Life Event

You have 60 days after the event date to enroll in an HCFSA or LEXHCFSA and/or a DCFSA, but you must enroll before October 1. Go to www.FSAFEDS.com for more information on Qualifying Life Events.

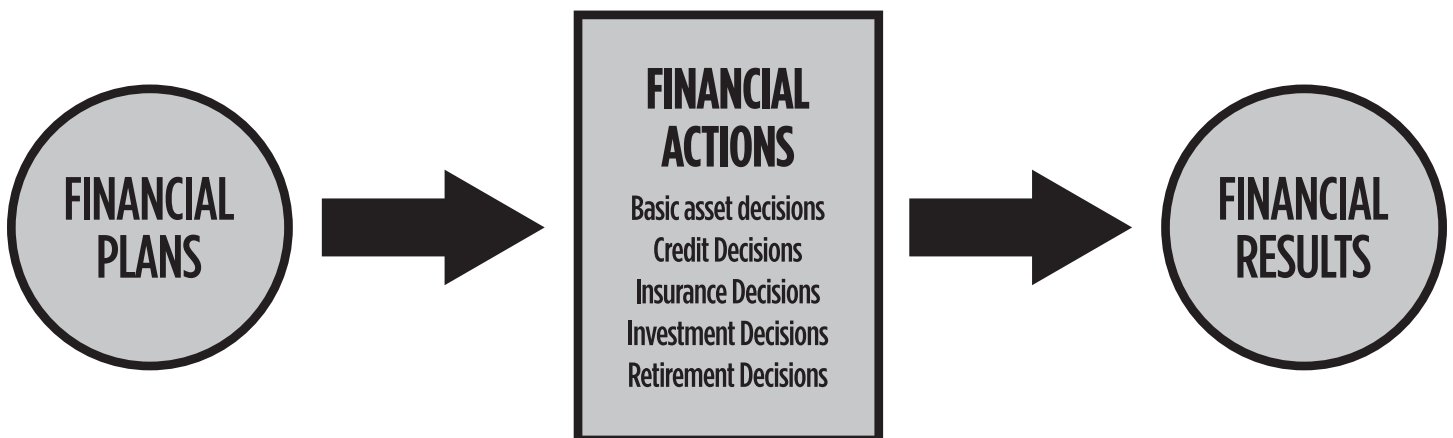
RETIREMENT PLANNING

Have you ever taken a trip knowing where you wanted to go without knowing how you were going to get there? If your answer to this question is YES, you have probably experienced what it is like to get lost while trying to reach your destination. When you think of developing a sound financial plan, think of it as taking a journey with a good map in hand. One thing that is certain about financial planning, if you have a plan, you are more likely to reach the destination of financial peace.

Do you have a plan in place now for retirement? If not, the following checklist is a great way to get started with a plan that will ensure you are on the road to a financially-sound retirement.

The Retirement Planning Process

1. Set a Budget
2. Define Goals
3. Develop Plans and Strategies to Achieve Goals
4. Reduce Debt
5. Implement Plans and Strategies
6. Develop and Implement Budgets to Monitor and Control Progress Toward Goals
7. Use Statements Every Six Months to Evaluate Results of Plans and Budgets
8. Take Corrective Action as Required
6. Redefine Goals and Revise Plans as Personal Circumstances Change.



THE BASIC QUESTIONS OF FINANCIAL PLANNING

What is Your Net Worth?

Assets – Liabilities = Net Worth

What is Your Monthly Cash Flow?

Income – Expenses = Cash Flow

Do You Have a Budget?

**Track Your Expenses to
See Where Money is Spent!**

US AVERAGE SPENDING BY HOUSEHOLD	
HOUSING	34%
TRANSPORTATION	16%
INSURANCE	11%
FOOD	13%
CLOTHING	4%
ENTERTAINMENT	5%
HEALTHCARE	7%
OTHER	10%

MAJOR PURCHASES & FINANCING		
PRIMARY RESIDENCE	AUTOMOBILE	EDUCATION
15 YEAR VERSUS 30 YEAR MORTGAGE DISCOUNT POINTS ORIGINATION FEES HOME EQUITY LOANS PRIVATE MORTGAGE INSURANCE (PMI) ENTERTAINMENT	LOW INTEREST DEALER LOAN CREDIT UNION COMMERCIAL BANKS HOME EQUITY LINE OF CREDIT LEASE	HOME EQUITY LINE OF CREDIT 401(K) OR TSP GOVERNMENT SPONSORED STUDENT LOANS PRIVATE STUDENT LOANS

SAVINGS	
SHORT TERM	LONG TERM
EMERGENCY FUND (6 MONTHS INCOME) VACATION CREDIT LIABILITY REDUCTION HOLIDAY GIFT FUND	RETIREMENT HOME CAR COLLEGE EDUCATION

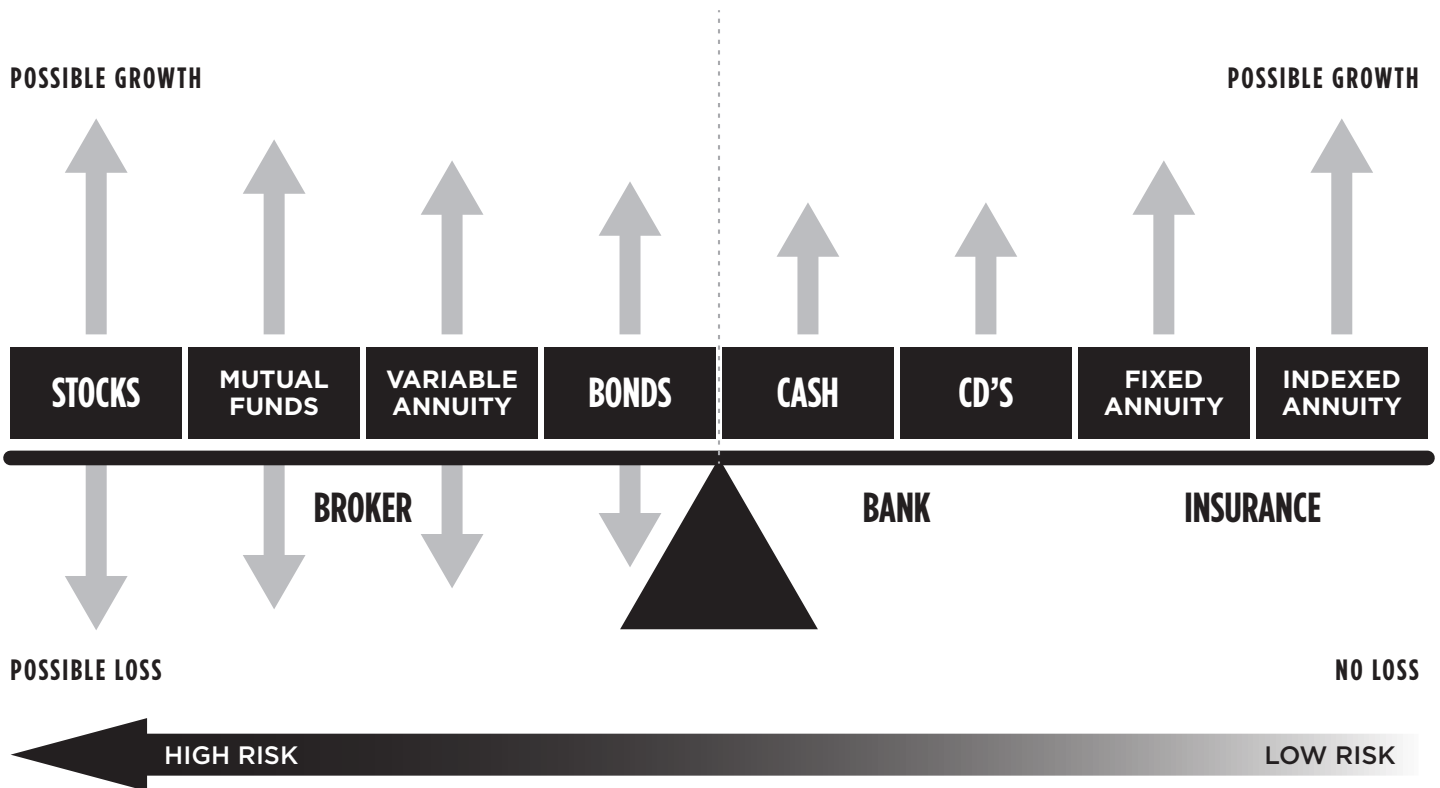
Most people spend more time planning for a vacation than they do for their retirement.

MANAGING RISK

The negative effects of risk are something we all try to avoid. Most people insure their homes, cars and other valuables against theft, natural disasters or simple accidents. When you purchase insurance you are transferring the risk to an insurance company. When you invest your money, the younger you are, the more risk you can take. However, as you approach your retirement age, you will want to reduce the amount of risk you are taking as much as possible.

Risk has many different levels. The expression "as long as you can sleep at night," is a good indicator that you may be close to exceeding your personal risk tolerance level.

The graphic below shows possible growth vs. possible loss for the most popular financial vehicles. The right side of the image is populated by Low Risk options while the left side is made up of Risk options. Note that the left side illustrates an almost equal potential for growth, but also illustrates a significant possibility for losses.



QUIZ: WHAT IS YOUR LEVEL OF RISK TOLERANCE?

Circle the number next to the choice that best answers the question for your personal financial goals. Then, add up all of the numbers to see what kind of investment goal best suits your personal financial wants and needs.

Investment Objectives:

1. Which of the following best describes your investment objectives?

- Preserving principal and earning a moderate amount of current income 1
- Generating a high amount of current income 2
- Generating some current income and growing my assets 3
- Growing my assets substantially 4

2. Five years from now, what do you expect your standard of living to be?

- The same as now 1
- Somewhat better than it is now 2
- Substantially better than it is now 3

3. Ten years from now, what do you expect your portfolio value to be?

- The same as or a little more than it is today 1
- Moderately greater than it is today 2
- Substantially greater than it is today 3

4. What is your current income requirement (interest plus dividends) from your portfolio?

- More than 4% 1
- 2 – 4% 2
- 0 – 2% 3

5. What do you want to do with the income generated by your portfolio?

- Receive all income 1
- Receive some and reinvest some 2
- Reinvest all income 3

Time Horizon:

1. What is the time frame for you to achieve your financial goals?

- 0 – 5 years 1
- 5 – 10 years 2
- 10 – 15 years 5
- 15 years or more 10

2. What is your primary financial goal?

- Wealth preservation or emergency savings 1
- Education funding 2
- Retirement planning 5
- Long-term wealth accumulation 10

3. What is your age?

- Over 56 1
- 46 – 55 2
- 36 – 45 5
- 20 – 35 10

4. You just received a substantial sum of money. How would you invest it?

- I would invest in something that offers moderate income and is very safe. 1
- I would invest in something that offers high current income with a moderate amount of risk. 2
- I would invest in something that offers high total return (current income plus capital appreciation) with a moderately high amount of risk 3
- I would invest in something that offers substantial capital appreciation even though it has a high amount of risk. 4

Risk Tolerance:

1. Which of the following statements best describes your reaction if the value of your portfolio suddenly declined 15%

- I would be very concerned because I cannot accept fluctuations in the value of my portfolio. 1
- If the amount of income I receive was unaffected, it would not bother me. 2
- I invest for long-term growth but would be concerned about even a temporary decline. 3
- I invest for long-term growth and accept temporary fluctuations due to market influences 4

2. Which of the following investments would you feel most comfortable owning?

- Certificates of Deposit (CDs) 1
- US Government Securities 2
- Stocks of older, established companies 3
- Stocks of newer, growing companies 4

3. How optimistic are you about the long-term prospects for the economy?

- Pessimistic 1
- Unsure 2
- Somewhat optimistic 3
- Very optimistic 4

4. Which of the following best describes your attitude about investments outside the U.S.?

- Pessimistic 1
- Unsure 2
- May provide attractive investment opportunities 3
- Provide very attractive investment opportunities 4

INVESTOR'S SCORE _____

Investment Goal Based on Score	
Income	13 or Below
Income & Growth	14 to 26
Growth & Income	27 to 39
Growth	40 to 53
Aggressive Growth	54 to 66

ROTH VERSUS TRADITIONAL IRA

EXAMPLE

If you make a \$3,000 contribution each year for 30 years and receive a hypothetical annual rate of return of 9%, reinvested each year, and you are in a current tax bracket of 27% and plan to have a retirement tax bracket of 27%, the following would be the result:

- Roth IRA would have a balance of \$408,922
- Traditional IRA would have the same balance but after withdrawal at 27% tax rate, available sum would be reduced to \$298,513.
- Using a tax rate of 27%, the annual tax savings of a deductible Traditional IRA would be \$810. If you invested this \$810 savings, your balance would increase from \$408,922 to \$519,331; however, this amount would be reduced after taxes to \$379,111.

Net Roth IRA Advantage

\$29,811⁹

⁹ This result is based on the tax rate being equal when initial investments are made and when money is withdrawn from the account.

TIME VALUE OF MONEY

Investor A saves \$2,000 each year for 10 years beginning at age 40.
Investor B waits 10 years and then invests \$2,000 each year for 20 years.

Assuming 5% Annual Rate of Return*

INVESTOR A	
AGE	CONTRIBUTION
40	\$2,000
41	\$2,000
42	\$2,000
43	\$2,000
44	\$2,000
45	\$2,000
46	\$2,000
47	\$2,000
48	\$2,000
49	\$2,000
50-69	Zero
Balance at Age 70	\$70,639
Total Contributions	\$20,000

INVESTOR B	
AGE	CONTRIBUTION
40	Zero
41	Zero
42	Zero
43	Zero
44	Zero
45	Zero
46	Zero
47	Zero
48	Zero
49	Zero
50-69	\$2,000 Annually
Balance at Age 70	\$68,445
Total Contributions	\$40,000

*The values presented in these examples are for illustrative purposes only. Actual rates may vary.

While the end results of these two investments may be close in value, it is important to look at the effects of money over time. Investor A began contributions early, then stopped contributing for 20 years and ended up with more than triple his initial investment at 70 years old. Conversely, Investor B invested later in the game, invested twice as much money over a longer period of time and ended up with less than double his initial investment. The saying, "Time is Money" has never been more true. Do not wait until it is too late to begin investing your money for retirement.

DON'T DELAY. INVEST TODAY!

RETIREMENT VEHICLES WITH TAX ADVANTAGES

- **Pension Plan**
- **401(k)**
- **Thrift Savings Plan**
- **Traditional IRA**
- **Roth IRA**
- **Variable Annuities**
- **Annuities (Fixed and Fixed Index)**

INCREASE YOUR NET WORTH WITH A TAX-DEFERRED ANNUITY

The true value of selecting a tax-deferred annuity as part of your investment portfolio can be measured in dollars and cents. It can have a major impact on your bottom line as it has the capacity to increase your net worth significantly over the taxable investment offering similar returns.

The effect of compounding on tax-deferred income is highlighted in Figure 1, which shows the value of a \$100,000 investment over a period of years at varying interest rates. The gross difference between the tax-deferred annuity and the taxable investment at similar interest rates are heavily in favor of investing in tax-deferred annuities.

FIGURE 1 — VALUE OF \$100,000 INVESTMENT			
TYPE OF PLAN	RATE OF RETURN	10 YEARS	20 YEARS
Tax-Deferred	6%	\$181,402	\$329,064
Taxable	6%	\$153,676	\$236,166
Tax-Deferred	9%	\$243,518	\$593,015
Taxable	9%	\$190,180	\$361,689
Tax-Deferred	12%	\$326,204	\$1,064,086
Taxed	12%	\$235,090	\$552,674

Note: All earnings assumptions are compounded quarterly. The taxable investment is based on a 28% tax bracket.

However, the real question that needs to be addressed is what happens when you have to pay taxes. Assume you invested \$100,000 at nine (9) percent over a 20-year period. With a fixed annuity your principal has grown to \$593,015, while with a taxable investment it is only \$361,689 (See Figure 2). At this point you may choose to preserve your principal but receive the interest generated as monthly income. If your marginal tax bracket is 28%, your net monthly interest income from the fixed annuity comes to \$3,202, as opposed to the \$1,953 that the taxable investment generates.

Each month you receive an extra \$1,249 as discretionary income, a 64% difference in the net return in favor of the annuity. Fixed annuities are an excellent savings vehicle if you are prepared to sacrifice some liquidity for the rewards of compounding interest income tax deferred.

FIGURE 2 — INCOME COMPARISON: 20 YEARS AT 9%		
TYPE OF PLAN	ACCRUED SAVINGS	NET MONTHLY INCOME
Tax-Deferred Fixed Annuity	\$593,015	\$3,202
Taxable Savings (28% Rate)	\$361,689	\$1,953
	MONTHLY INCOME INCREASE	\$1,249 (64%)

A BRIEF OVERVIEW OF FIXED INDEX ANNUITIES

A fixed index annuity offers more potential return than a fixed annuity – but has less risk and less potential return than a variable annuity. It is also known as an equity indexed annuity or hybrid annuity. As its name implies, its value is linked to a market index, such as the S&P 500 Composite Stock Price Index*, a collection of 500 stocks intended to represent a broad segment of the market.

The Fixed Index Annuity is Designed for Retirement Saving

Like other types of annuities – fixed or variable, immediate or deferred – indexed annuities are long-term vehicles designed to help you save for retirement. Keep in mind that if you take your money out early, you may have to pay surrender charges and, if you're younger than 59½, an additional 10% tax penalty. Naturally, if you take an early withdrawal, your death benefit and the cash value of the annuity contract will be reduced.

Fixed Index Annuity Features

- Original investment dollars as well as gains are protected from market risk
- Start receiving income within 30 days or 12 months with multiple payout options
- Premium bonuses on first year money*
- Lifetime income benefit riders provide income for the rest of your life
- Nursing home care riders
- Terminally ill riders
- 5, 7, 10 or 16 year contracts
- Guaranteed fixed accounts
- Index with stock market: Get a portion of the ups and none of the downs
- Commission paid to licensed representative by the insurance company, not the client
- Passes down to beneficiary upon death
- Provides security in troubled times
- Over \$93 Billion has been moved to Fixed Index Annuities since 2010+
- Applicants must meet suitability requirements on all fixed and fixed indexed annuities.

A BRIEF OVERVIEW OF FIXED INDEX ANNUITIES

How Account Interest is Determined

While sales of indexed annuities have grown in recent years, some of their features can be difficult to understand, such as the various methods for calculating the interest. Some common methods include:

- Annual reset/ratchet, based on the annual change in value of the index
- Point-to-point, based on the change in the index's value from the beginning to the end of the annuity's contract term
- High water mark, based on the increase in index value from the beginning of the contract's term to the highest index value at various points during the contract's term – typically contract anniversaries

Other Factors Can Influence Indexed Annuity Values

Indexed annuity values are influenced by:

- **Participation Rates** – The participation rate is how much of the index increase you actually receive. For instance, if your participation rate is 75% and the index increases 8%, you'll earn 6% for the period because $75\% \times 8\% = 6\%$.
- **Interest Rate Caps** – Some indexed annuities have a maximum rate - or cap. If the market goes up less than the cap, your account value will be credited with 100% of the annual performance of the index, not including dividends or distributed capital gains. If the market goes up more than the cap, your account value will be credited with the amount of the cap. If the market goes down, your account value remains the same, less any withdrawals you may have taken.
- **Fees and Charges** – The fee you pay, also known as the margin or spread, is generally deducted from the interest you earn. For instance, if you pay a 2% fee and the index earns 9%, you would actually be credited 7% because $9\% - 2\% = 7\%$.

MANAGING RISK

Insurance allows you to protect your assets, your lifestyle and the assets and lifestyle of your family.

- **Homeowners Insurance**
- **Car Insurance**
- **Health Insurance**
- **Disability Insurance**
- **Cancer Insurance**
- **Paycheck Insurance**
- **Long Term Care Insurance**
- **Life Insurance**
- **Retirement Insurance**

MUTUAL FUNDS

There are approximately 8,000 different mutual funds offered today. Not long ago, mutual funds were a very broad-based investment. In today's market, however, mutual funds have become increasingly specialized — some investing exclusively in very narrow sectors of the market.

When you own shares of a mutual fund, the benefit is that you have a convenient, well-diversified package of many individual investments that would be complicated for the typical investor to manage on their own. Mutual funds are professionally managed and give you the ability to invest small or large amounts of money, even if you don't have much financial or investing experience.

The Cons of Investing in Mutual Funds

While the pros of Mutual Funds might sound great at first, there are some important negative aspects to Investing in Mutual Funds that you will want to keep in mind:

- **Most Charge Fees:**

Mutual funds are typically expensive to operate. That's why investors get hit with annual fees and sales commissions regardless of a fund's performance.

- **Share Prices are Calculated Just Once a Day:**

This is different from a stock where you can monitor price changes minute by minute. Since a mutual fund is made up of multiple securities, its price depends on the fund's net asset value or NAV which is calculated at the end of the trading day. When you put in an order to buy or sell mutual funds, the price is unknown until the financial markets close.

- **Capital Gains of the Fund Get Passed Along to Shareholders:**

U.S. tax law requires mutual funds to distribute capital gains to their shareholders. These distributions are taxed at the long-term capital gain rate, no matter how long you've owned the shares.

The Cons of investing in Mutual Funds far outweigh the Pros. While higher gains may be enticing to investors, it is important to look at the other side of the Mutual Fund seesaw. Remember when we said that Mutual Funds were professionally managed? Well, those people have to get paid, which is why Mutual Funds come with high fees. Why would you want to throw away hard-earned dollars so that someone else can put your money at risk? Mutual Funds are riddled with financial uncertainty. When you go to the grocery store, you know what price you're going to pay for an item before you buy it, right? With Mutual Funds, you don't know the price until the market closes. Why would you purchase an item that you don't know the value of beforehand? You shouldn't be playing a guessing game with your retirement dollars. And finally, the tax ramifications are significantly higher on Mutual Funds and regardless of how your fund is doing, you're paying taxes.

So, while Mutual Funds may look appealing because of their ability for large returns, it is important to look at how much of your money you're going to be giving up to the high fees, taxes and uncertainty of the market.

PSYCHOLOGICAL ASPECTS OF RETIREMENT PLANNING

- More than half of persons over age 65 live alone.
- 75% of men over age 65 live with their spouse.
- 41% of women over age 65 live with their spouse.
- Roles within a family typically change.
- Forgotten benefits of work:
 - Bi-Weekly paydays
 - Relationships with co-workers
 - Purpose/Goals
 - Opportunity
- 50% of all 65 year olds are expected to live beyond age 85.

FINANCIAL ASPECTS OF RETIREMENT PLANNING

- Will you outlive your savings?
- How will inflation impact your savings?
 - Using the "Rule of 72" at a modest rate of 4% inflation, it will take 18 years for the cost of an item to double ($72 / 4 = 18$).
- How much of your current income will you need?
 - Experts estimate, depending upon retirement lifestyle, you will need between 70-100%.
- Plan Early
- Most federal employees can expect income from these sources:
 - CSRS or FERS Annuity
 - Social Security (Only some CSRS will be eligible)
 - Thrift Savings Plan
 - Personal Savings and IRA's
 - Military Retirement
 - Outside Pensions

EXAMPLE OF FEDERAL EMPLOYEE RETIREMENT BENEFITS

Type:	Federal Employee
Current Age:	51
Start Date:	January 1984
Retirement Date:	September 2006
Current Salary:	\$78,000
Projected Salary:	\$94,000 (Assumes 5% COLA & WGI)
Monthly Annuity with 50% Survivor Benefit:	\$2,408
Monthly Survivor Annuity:	\$1,338
Estimated Social Security Supplement:	\$750
TSP Balance of \$300,000:	\$1,500 (Assuming 6% Withdrawn Annually)

CURRENT INCOME		RETIREMENT INCOME	
Salary	\$7,833	FERS Annuity	\$2,408
70% of Current Salary	\$5,483	SS Supplement	\$750
		TSP	\$1,500
		Total Income	\$4,658
		Potential Shortfall	\$825

PENSION MAXIMIZATION

A pension has value beyond the monthly payment received by the annuitant. If an annuitant survives for 30 years, the value is certainly greater than if the annuitant dies after 10 years and a survivor benefit was not chosen or if the annuitant did not have an eligible survivor. Pension maximization is a tool used in financial planning to get the most value from a pension. Some pensions allow the annuitant to elect a survivor benefit in a monthly or annual charge to insure the survivor receives income for the remainder of his or her life. This is a good benefit but in order to maximize this benefit, the annuitant and survivor must die at the correct time and in the correct order.

Before electing a survivor benefit, consider the advantages of purchasing a life insurance policy for a similar cost as choosing the survivor benefit. There are several different advantages to choosing life insurance over the survivor benefit and they are as follows:

- A majority of the survivor benefit is taxed while in most instances life insurance is a tax-free benefit.
- Only one beneficiary can be chosen for a survivor benefit and that beneficiary cannot be changed. Life insurance allows you to choose multiple beneficiaries and the policy owner can change those beneficiaries at any time.
- A survivor benefit is paid monthly and you never have access to the full value of the annuity. Life insurance proceeds are distributed in a lump sum and the survivor may spend the money as they see fit.
- If the beneficiary of the survivor benefit predeceases the annuitant, the money spent for the survivor annuity is lost. In the case of permanent life insurance, there may be cash value that is accessible to the policy owner or the beneficiary can be changed on the policy.

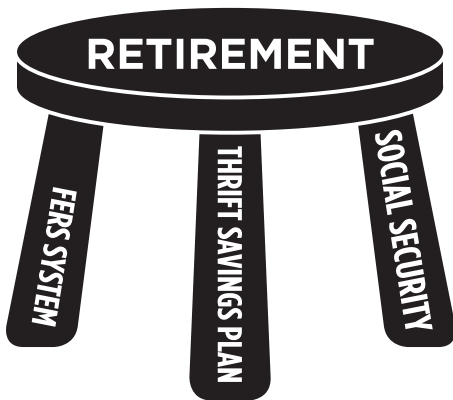
HOW DO I MAXIMIZE MY FEDERAL PENSION?

In order to maximize your federal pension, you must have a complete analysis on the following:

Thrift Savings Plan FERS Retirement System Social Security

By receiving an analysis on the three retirement income sources above, you can ensure that you and your spouse are maximizing your Federal Retirement Income. To learn more about maximizing your money, contact a Chartered Federal Employee Benefits ConsultantSM (ChFEBCSM) in your area.

Visit MyFederalRetirement.com to find a certified federal advisor in your area.



HOW DOES THE FEDERAL RETIREMENT SYSTEM WORK?

FERS HAS **3** COMPONENTS

	FERS PENSION	THRIFT SAVINGS PLAN	SOCIAL SECURITY
AGE 55 - 57			
AGE 62			
AGE 66			

HOW TO CALCULATE YOUR FERS PENSION:

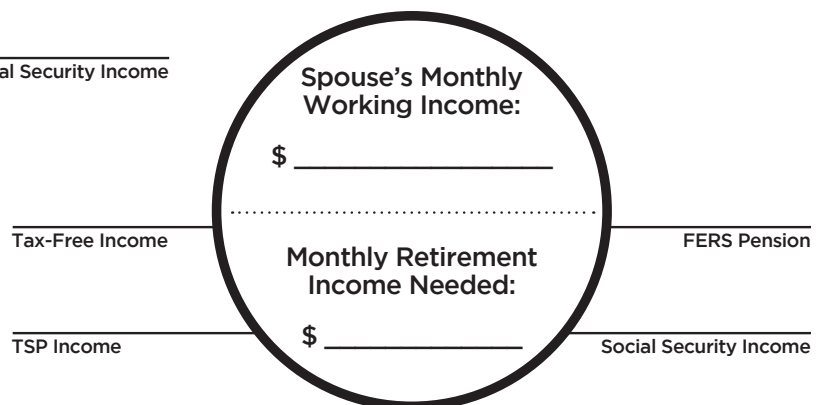
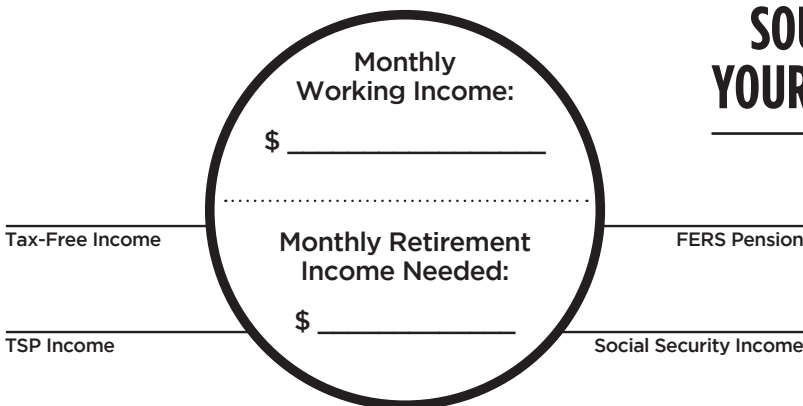
Years of Service x High Three Average x 1% (Under 62) or 1.1% (Over 62)

HOW MUCH DO YOU SPEND ON BUILDING YOUR RETIREMENT?

FERS Pension (Per Year)	
Social Security (Per Year)	
Thrift Savings Plan (Per Year)	
TSP Roth (Per Year)	
TOTAL COST (Per Year)	

SOURCES OF MONTHLY INCOME DURING YOUR WORKING YEARS AND RETIREMENT

WILL YOUR RETIREMENT BE ENOUGH?



FIND A PROFESSIONAL

Now that you are familiar with the ins and outs of Federal Retirement, it is important that you find a reliable, trustworthy professional to help assist you with securing your retirement. The following agencies are great places to start:

MyFederalRetirement.com

This website contains a lot of valuable information for Federal Employees including a state-by-state listing of verified professionals in your area.

USContractorRegistration.com

This website lists agencies that are approved for government contracts which means that they are eligible to hold educational benefits seminars for government employees on government time.

Ethics.net

The National Ethics Association website lists verified professionals that are vetted and accepted into the tight network of ethical companies in the US. This is a great place to verify a retirement professional to make sure they have your best interest at heart.

SOURCES

MyFederalRetirement.com

AnnuitySpec.com

SocialSecurityTiming.com

Dr. Laurence Kotlikoff, *Professor of Economics at Boston University*

Office of Personnel Management at OPM.gov

Thrift Savings Plan at TSP.gov

NOTES: _____

NOTES: _____



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SMARTER RETIREMENT STRATEGIES FOR POSTAL EMPLOYEES

BENEFITS AND ADVANTAGES!

For Members:

- Exclusive website for members provides online resources for understanding and planning your retirement
- How-to guide on Maximizing Your Retirement Income including FERS / CSRS, TSP and Social Security
- LifeLock Identity Theft Protection for Member & Spouse
- Insuring Your Retirement Income
- FEGLI / Life Insurance / TSP Options

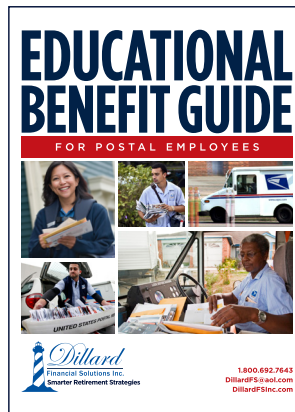
For Spouse and Family:

- Spouse Survivor Benefits
- 401(k) and Roth & Traditional IRA Options
- Life Insurance Options for Spouse and Children
- Spouse Social Security Options
- College Planning for Children
- Matching Bonus on Retirement Money
- Benefits from TSP

WE PROVIDE COMPLIMENTARY ONE-ON-ONE RETIREMENT REVIEWS FOR POSTAL EMPLOYEES



Our Representatives are chartered federal employee benefits consultantsSM and are licensed in all 50 states. Our company is a verified vendor on the United States Federal Contractors Registry (DUNS: 078747605).



Our Educational Guides provide valuable information on:

- Thrift Savings Plan
- Social Security Maximization
- Voluntary Contribution Plan (CSRS)
- FERS & CSRS Retirement
- Spouse Survivor Benefit Plan
- FEGLI Insurance, and MORE!

Contact us today to learn more about who we are and how we are helping Postal Employees!

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Providing Education & Guidance Through the Retirement Process



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