PRE-RETIREMENT PLANNING
Agenda

What are we going to discuss today?

- Types of Retirements and Eligibility Requirements
- Annuity Calculation
  - Creditable Service
  - High three average salary
- FERS Special Annuity Supplement
- Computation of Disability Benefits
- Thrift Savings Program
- Additional Insurance Benefits: FEHB, FEDVIP, FSA, FEGLI and LTC Insurances
- Survivor Elections and Benefits
- Social Security Benefits - Overview
- Retirement and Estate Planning Basics - Overview
- Non-Regular Retirement (Reserve Component) - Overview
5 Year Pre-Retirement Planning

- Utilize retirement calculators such as the Federal Ballpark E$timote calculator to determine income needs in retirement
- Utilize EBIS calculator for rough annuity estimates
- Utilize TSP calculators for various savings projections
- Request retirement estimate from the Army Benefits Center-Civilian (ABC-C)
- Adjust and Maximize TSP contributions & any other savings as necessary based on the results from calculators and estimates
- Verify eligibility for maintaining FEHB & FEGLI into retirement
- Ensure all military deposits have been completed
- Ensure all civilian deposits and/or redeposit's have been completed
Pre-Retirement Planning Links

Federal Ballpark E$timate:  

Retirement information & services provided by OPM:  
http://www.opm.gov/retire/index.asp

U.S. Financial Literacy Education Commission website:  
http://www.mymoney.gov

Army Benefits Center–Civilian EBIS:  
https://www.abc.army.mil

Social Security Administration:  
http://www.ssa.gov

Thrift Savings Plan:  
http://www.tsp.gov
Types of Retirement
And
Eligibility Requirements
The Federal Employee Retirement System (FERS) is a multi-tiered retirement system composed of three basic parts: (sometimes referred to as a three legged stool)

- FERS Basic Annuity – A defined benefit plan
- Thrift Savings Plan – A defined contribution plan
- Social Security benefits at age 62 (OASDI)
- A FERS Special Annuity Supplement may be paid until age 62 (If applicable)
3-tiers of the FERS retirement system
FERS annuity is typically the smallest component
TSP will likely make up the largest portion of your total retirement with proper planning
FERS Contribution Rates

(Generally - If hired under FERS on or before 12/31/2012)

<table>
<thead>
<tr>
<th>Category</th>
<th>Normal Cost %</th>
<th>Employee %</th>
<th>Agency %</th>
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<tbody>
<tr>
<td>Regular (Non Dual Status)</td>
<td>12.7</td>
<td>.8</td>
<td>11.9</td>
</tr>
<tr>
<td>Military Reserve Tech</td>
<td>15.7</td>
<td>.8</td>
<td>14.9</td>
</tr>
</tbody>
</table>

(.8% = $8.00 per thousand earned)
FERS-RAE Contribution Rates

(Revised Annuitant Employee)

(Generally - If first hired under FERS 1/1/2013 – 12/31/2013)

<table>
<thead>
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<tr>
<td>Military Reserve Tech</td>
<td>15.7</td>
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(3.1% = $31.00 per thousand earned)

(An increase over FERS of 2.3% = $23.00 per thousand earned)
FERS-FRAE Contribution Rates

(Further Revised Annuitant Employee)

(Generally - If first hired under FERS on or after 1/1/2014)

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<th>FERS FRAE Contribution Rates (%)</th>
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<td>12.7</td>
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<tr>
<td>Military Reserve Tech</td>
<td>15.7</td>
</tr>
</tbody>
</table>

(4.4% = $44.00 per thousand earned)
(An increase over FERS of 3.6% = $36.00 per thousand earned)
(An increase over FERS RAE of 1.3% = $13.00 per thousand earned)
Minimum Eligibility Requirements:

• Must have 5 years of creditable civilian service
• Retire from a FERS-covered position
FERS Types of Retirement

- Voluntary / Optional Retirement (Immediate)
- Early Optional / Voluntary (Immediate)
- Discontinued Service Retirement (Immediate)
- Deferred Retirement (Not immediate)
- Disability Retirement (Immediate)
- Special Provisions for Military Reserve Technicians
## Minimum Retirement Age (MRA)

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<th>If you were born:</th>
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<tr>
<td>Before 1948</td>
<td>55</td>
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<tr>
<td>1948</td>
<td>55 and 2 months</td>
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<tr>
<td>1949</td>
<td>55 and 4 months</td>
</tr>
<tr>
<td>1950</td>
<td>55 and 6 months</td>
</tr>
<tr>
<td>1951</td>
<td>55 and 8 months</td>
</tr>
<tr>
<td>1952</td>
<td>55 and 10 months</td>
</tr>
<tr>
<td>From 1953 to 1964</td>
<td>56</td>
</tr>
<tr>
<td>1965</td>
<td>56 and 2 months</td>
</tr>
<tr>
<td>1966</td>
<td>56 and 4 months</td>
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<td>1967</td>
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<td>1969</td>
<td>56 and 10 months</td>
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<td>1970 or later</td>
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### Immediate Unreduced Retirement

<table>
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<tr>
<td>62</td>
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MRA +10 – Immediate Reduced Retirement

**Minimum**

**Age:**
- MRA

**Minimum Years of Service:**
- At least 10 years of service, but fewer than 30
• The reduction for taking an MRA +10 annuity is 5% per year (.42% for each full month) for each full year you are:
  • under age 62 w/less than 20 years.
  
  Or
  • Under age 60 w/20+ years at the time the annuity begins.

• The age reduction in the annuity is permanent.

• You may also be eligible to have FEHB and FEGLI reinstated if you postpone collecting annuity.
FERS Voluntary Early Optional Retirement

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<td>20</td>
</tr>
<tr>
<td>Any</td>
<td>25</td>
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</tbody>
</table>

- Early optional rules are the same as the DSR
- No reduction in the annuity for being under age 55
- This retirement is **NOT** an option proposed by the employee, your employing agency makes an offer for Early retirement (example; RIF or Reorganization)
## FERS Discontinued Service Retirement (DSR)

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<tbody>
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<td>50</td>
<td>20</td>
</tr>
<tr>
<td>Any</td>
<td>25</td>
</tr>
</tbody>
</table>

- Involuntary Separation from Civilian Service
- Eligible for Special Annuity Supplement at MRA
- No reduction in the FERS annuity for being under age 55, **unless** you have a CSRS Component. The CSRS component will be reduced by 2% per year for each year under age 55
FERS Deferred Retirement

- Employee separates before reaching eligibility for immediate annuity
- Retirement contributions remain in the retirement fund
- Loses entitlement to benefits permanently (FEHB/FEGLI)
- May apply for annuity when eligible
- Deferred retirements NEVER qualify for the special annuity supplement
FERS Deferred Retirement

**Minimum Age:**

**Minimum Years of Service (YOS):**

MRA 10-29 yrs.

- Reduction is 5% for each full year under age 62
- If over 20 YOS you may draw at age 60 w/o reduction for age
- No provision to allow reinstatement of FEHB or FEGLI
- Survivor Benefit is available.
## FERS Deferred Retirement

### Drawing Unreduced

<table>
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<th>Minimum Age:</th>
<th>Minimum Years of Service:</th>
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<td>60</td>
<td>20</td>
</tr>
<tr>
<td>62</td>
<td>5</td>
</tr>
</tbody>
</table>
FERS Disability Retirement

OPM’s Definition of Disability

- You must have a physical or mental impairment that renders you incapable of performing the duties of your last-held position,

  AND

- Your agency must certify they are unable to make a reasonable accommodation (a job at the same pay or grade level, within the same commuting area, and one in which you can be expected to perform useful and efficient service),

  AND

- Your disabling condition should be medically expected to last for at least one year
Minimum Age: Any

Minimum Service: 18 months

FERS employees must apply for Social Security disability benefits at the time they apply for the OPM disability benefits.
Special Provisions for Military Reserve Technicians (MRT)

Special Retirement Provisions exist for eligible Dual Status Military Reserve Technicians who as a condition of employment are required to maintain compatible military membership.
Special Provision for Military Reserve Technicians (MRT)

(Dual Status Employees)

• Special Provision for Involuntary Separation from Military membership
  • Not due to misconduct or delinquency
• Age and service requirements are based on the date when first hired in a covered position (if hired on or before 10 FEB 1996, or after; see handout)
• The Special Annuity Supplement is payable up to age 62
  • Earnings test will apply from MRA until age 62
  • Earnings amount mirrors social security rules
• Unique to FERS
• No age reduction
(Dual Status Employees)

If first hired on or before 10 Feb 1996

• Age 50 with 25 years of creditable federal service
• Allows for immediate supplement payment
• Federal service includes all other service deemed creditable under FERS, to include prior Title 10 military service with completed deposits
Special Provision for Military Reserve Technicians (MRT)

(Dual Status Employees)

If first hired after 10 Feb 1996

- Age 50 with 20 years of creditable “military technician” service, or any age with 25 years of creditable “military technician” service
- Other service creditable under FERS and prior Title 10 military deposit service cannot be used to achieve the “minimum” military technician years of service for eligibility purposes
Disability Retirement for Dual Status Military Reserve Technicians

• Public Law 97-253 for Military Reserve Technicians

• May be eligible for disability retirement without meeting eligibility requirements for regular disability retirement when:
  • The technician has at least 18 months of service,
  AND
  • Suffers from a disabling condition that medically disqualifies them for military membership
**IMPORTANT NOTE**

• If the technician is also eligible for a Military Reserve Technician (MRT) retirement and OPM disapproves the disability application under FERS “regular” provisions, then the technician is **NOT** eligible for a disability retirement under the special provisions of PL 97-253.

• The reason is that a MRT retirement is an involuntary retirement due to the loss of military membership with an immediate retirement annuity and immediate FERS special annuity supplement.
If you transferred to FERS with at least 5 years of civilian service creditable under CSRS, part of your annuity will be computed under CSRS rules, this 5 years or more is known as the CSRS Component.
CSRS Component

Plus

FERS Component

Equals

Total Basic Annuity
Commencement Dates for Annuities

• FERS Voluntary / Early Voluntary retirements:
  • Annuities commences the 1st day of month following the month of separation

• Discontinued Service / MRT Retirements:
  • Begins on the day after separation

• Disability Retirements:
  • Begins after the last day of pay
Annuity Computations
There are two components

• Creditable Service for Retirement Purposes

• High Three Average Salary
First Component - Creditable Service

- Total years of service that is deemed creditable for retirement calculation purposes
  - Service where FERS contributions were deducted or deposits were completed
- May include civilian service, active duty military service, and unused sick leave
  - Sick leave counts for annuity calculations only. It does not count towards the time required to reach retirement eligibility.
- Annuity is calculated using only whole years and months of service; fractional parts of a month or individual days are not used
Types of Potentially Creditable Service

- LWOP - personal (up to 6 months per year)
- Worker’s Compensation time
- Part-time Service (not temporary service)
  - Fully creditable towards eligibility but prorated for the computations
- Intermittent Service
- Breaks in service of up to 3 days
- Temporary or Non-Deduction service, only if performed before 1 Jan 1989 (with completed deposit)
- Title 10 Active Duty / “Qualified” title 32 (with completed deposit)
**FERS Creditable Service**

Creditable Service

**EXAMPLE:**

<table>
<thead>
<tr>
<th>Civilian</th>
<th>28 years,</th>
<th>1 mos.,</th>
<th>03 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military</td>
<td>04 years</td>
<td>2 mos.,</td>
<td>06 days</td>
</tr>
</tbody>
</table>

Equals

| 32 years, | 3 mos., | 09 days |

Equals

| 32 years, | 3 mos. | XXXXX   |
Any period of creditable civilian service during which the retirement deductions were not taken from base pay

• Temporary Service

• FICA Only Service
FERS Non-Deduction Service

FERS Credit For NON-Deduction Service

Civilian Service Performed prior to 1/1/89:

• If a deposit is **not** paid, the service **is not** creditable for retirement eligibility or computation of annuity

• If a deposit **is** paid, the service **is** creditable for retirement eligibility and computation of annuity
FERS Credit For NON-Deduction Service (Cont.)

Deposit Calculation:

• Amount due will be equal to 1.3% of the basic pay earned in non-deduction employment, plus interest

• Interest rate charged is determined by when the non-deduction service was performed
Civilian Service performed on/or after 1/1/89:

- **No** retirement credit is allowed for non-deduction service performed on or after this date
- There is **no** deposit option
FERS Refunded Service

• Any period of creditable civilian service for which retirement deductions were withheld from base pay, and then later refunded to an employee upon separation from Federal employment

• A refund of FERS retirement contributions will result in the loss of credit for retirement annuity calculation purposes

• If reemployed, refunded service is still creditable for Leave and retirement eligibility calculations
FERS Redeposit

- There is now an option to make a **redeposit**
- The amount owed is 1.3% of basic pay, plus any accrued interest
- This will place the contributions back into the retirement fund
- With a completed redeposit the previous employment will be used towards **both** the retirement eligibility **and** the annuity calculations
Post-56 Military Service Deposits

FERS Credit for POST-56 Military Deposits

Post-56 military service is not creditable for retirement purposes under FERS unless the Military Service Deposit is completed.

Military deposits CANNOT be paid after separation/retirement. They MUST be paid prior to separating the agency.
Deposit Calculation:

- Service prior to 1999 and after 2000 equals 3% of base pay earned plus interest if applicable – Before Technician Service

- Service performed during 1999 equals 3.25% and service performed during 2000 equals 3.4% of base pay earned plus interest if applicable – Before Technician Service

- Interest rate charged is determined by when non-deduction service was performed and accrues in the 3rd anniversary year of the interest accrual date (IAD)

- If service falls under provisions of USERRA (During Technician Service) the deposit is the lesser of the applicable base pay percentage or the amount of FERS contributions you would have paid

Military Earnings Deposit

- Complete Form RI 20-97 *Estimated Earnings During Military Service*; send to the appropriate branch of service (addresses are on the ABC-C website). Include supporting documents (i.e., DD 214s or orders).

- Upon receipt of estimated earnings from DFAS, complete SF 3108 page 1 and SF 3108A attach DD 214 and RI-2097 and forward to the ABC-C.

- The ABC-C will calculate an estimate of the deposit owed and forward to DFAS.

- DFAS will finalize the amount owed and advise you of payment options. Payments are made by payroll deduction, lump sum payment by check or online through the new pay.gov option.

- Ensure “Payment In Full” notice is filed in OPF.

More information is available on the ABC-C website at https://www.abc.army.mil/retirements/retire.htm
• Does not qualify towards minimum service requirements or eligibility requirements

• Added on top of creditable time for annuity calculation purposes only

• 100% creditable service effective 1 Jan 2014 (refer to conversion chart)

• Employees with a vested CSRS benefit will receive credit for unused sick leave in the CSRS component of the annuity computation, subject to certain limitations
### Chart 2. -- Sick Leave Chart 2087 Hours

Chart for Converting Hours of Unused Sick Leave to Months and Days (See section 50A2.1-3G).

<table>
<thead>
<tr>
<th>DAYS</th>
<th>1 Day</th>
<th>1 Month</th>
<th>2 Months</th>
<th>3 Months</th>
<th>4 Months</th>
<th>5 Months</th>
<th>6 Months</th>
<th>7 Months</th>
<th>8 Months</th>
<th>9 Months</th>
<th>10 Months</th>
<th>11 Months</th>
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<td>0</td>
<td>174</td>
<td>348</td>
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<td>667</td>
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<td>1362</td>
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<td>2058</td>
</tr>
<tr>
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<td>672</td>
<td>846</td>
<td>1020</td>
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<td>1542</td>
<td>1716</td>
<td>1890</td>
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<tr>
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<td>330</td>
<td>504</td>
<td>678</td>
<td>852</td>
<td>1026</td>
<td>1200</td>
<td>1374</td>
<td>1548</td>
<td>1722</td>
<td>1896</td>
<td>2070</td>
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<tr>
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<td>162</td>
<td>336</td>
<td>510</td>
<td>684</td>
<td>858</td>
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<td>1728</td>
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<tr>
<td>29</td>
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<td>690</td>
<td>864</td>
<td>1038</td>
<td>1212</td>
<td>1386</td>
<td>1559</td>
<td>1733</td>
<td>1907</td>
<td>2081</td>
</tr>
</tbody>
</table>
Payment for Unused Annual Leave

- You will receive a lump-sum payment for any unused annual leave.
- Payment is made at your current hourly rate.
- Payment is taxable in the year in which it is received.
- If you retire before a new leave year begins, you’ll receive payment for your maximum carry-over and any “use or lose” leave.
- Annual leave **may not** be used as terminal leave upon retirement except under special circumstances such as if required to meet eligibility due to an involuntary separation (P.L. 78-525).
Other Leave Types Upon Separation

• Military Leave – Forfeited upon separation
• Time off awards – Forfeited after 26 pay periods or upon separation
• Compensatory Time Earned
  • Title 5 - Pays out after 26 pay periods or upon separation
  • T32 dual Status – Forfeited after 26 pay periods or upon separation
• Compensatory Time for Travel
  • T5 or Title 32 – Forfeited after 26 pay periods or upon separation
Elements of the Annuity –
Second Component

Second Component - High 3 Average Salary

• Highest rate of basic pay in effect over any 3 consecutive years of service

• Usually the last three years of salary, but it may be from a prior period of service where salary was higher than last 3 actual years worked
What’s Included in Basic Pay:

• Locality pay
• Special pay rates
• Temporary promotions
• Night differential for WG employees
What’s Not included in Basic Pay:

• Overtime Pay
• Holiday Pay
• Cash Awards and Bonuses
• Military Pay
FERS General Annuity Formula

If Retiring before 62 years of age:

$$(1.0\% \times \text{Years & Months of service}) \times \text{High-3}$$

Example: MRA with 30 years under age 62 = 30% x High-3

If retiring after at or beyond age 62 with at least 20 years of service the multiplier changes from 1% to 1.1%:

$$(1.1\% \times \text{Years & Months of service}) \times \text{High-3}$$

Example: MRA with 30 years at age 62 = 33% x High-3
FERS General Annuity Formula

(1.0% X Years & Months of service) X High-3

20 years of Service
$60,000 High-three
Retiring before age 62

(1% X 20 years) x $60,000 = $12,000 Annually
FERS Annuity Formula if retiring at or beyond age 62 with at least 20 years of creditable service

\[(1.1\% \times \text{Years & Months of service}) \times \text{High-3}\]

20 years of Service
$60,000 High-three
Retiring at or beyond age 62

\[(1.1\% \times 20\text{ years}) \times 60,000 = 13,200\]
Special Annuity Supplement (SAS) Computations
FERS Special Annuity Supplement (SAS)

- Paid by OPM. Not social security.
- Payable up to age 62 when you retire on a voluntary immediate, unreduced annuity (i.e. MRA with 30 or 60 with 20)
- Payable **at** MRA if it’s an early retirement (i.e. Early-Vol, DSR)
- Payable **immediately** if qualified under the special provision for military reserve technicians
- Not eligible if retirement is a deferred or reduced annuity such as an “MRA +10” or a disability
• Supplement stops at age 62
• Fully taxed and is not increased for cost of living
• The Supplement is subject to an earnings test in any year your earned wages exceed the annual exempt amount (currently at $17,640 for 2019)
• Earnings test does NOT apply if qualified under MRT rule until reaching your MRA
General Formula used to calculate the retirement supplement:

\[
\text{Age 62 Social Security Benefit} \times \frac{\text{(# of Years of FERS Service) / Divided by 40)}}{40} = \text{Benefit}
\]
General Formula used to calculate the retirement supplement:

Example:
25 Years of FERS service
5 Years of Military Service
Social Security at age 62: $1,334

\[(25 \div 40) \times $1,334 = $833.75 \text{ per month}\]
or
\[.625 \times $1,334 = $833.75 \text{ per month}\]

\[($10,005 \text{ Annually})\]

*Military service is not included*
Current Year (2019) Earnings Test: $17,640

Example #1

<table>
<thead>
<tr>
<th>Post Retirement Job</th>
<th>Annual SAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

Earned Income = $10,000  
SAS = $10,000

Income is below the earnings test so there’s no impact to the SAS
FERS Special Annuity Supplement (SAS)

Current Year (2019) Earnings Test: $17,640

Example #2

<table>
<thead>
<tr>
<th>Post Retirement Job</th>
<th>Annual SAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>$20,000</td>
<td>$8,820</td>
</tr>
</tbody>
</table>

Earned Income = $20,000  SAS = $10,000

$20,000 - $17,640 = $2,360 over the limit

SAS is reduced by $1 for every $2 over the limit
$2,360 / 2 = $1,180

The reduced SAS is: $10,000 - $1,180 = $8,820
Simple formula used to calculate when the supplement will be offset to zero:

(Special Annuity Supplement Amount X 2) + Current Years Earnings Test
FERS Special Annuity Supplement (SAS)

Current Year (2019) Earnings Test: $17,640

Example #3

<table>
<thead>
<tr>
<th>Post Retirement Job</th>
<th>Annual SAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>$20,000</td>
<td>$8,820</td>
</tr>
<tr>
<td>$37,640</td>
<td>$0</td>
</tr>
</tbody>
</table>

Earned Income = $37,640 \quad SAS = $10,000

\$37,640 - \$17,640 = \$20,000 \text{ over the limit}

SAS is reduced by $1 for every $2 over the limit

\$20,000 \div 2 = \$10,000

The reduced SAS is: \$10,000 - \$10,000 = \$0
FERS annuities are generally not indexed for a cost of living adjustment until age 62

The Exceptions:

- Disability Annuitants
- Survivor Beneficiaries
FERS Cost of Living Adjustments (COLAS)

Formula for Cost of Living Adjustments (COLAs)

If increase in CPI is:

- 2% or less
- 2% to 3%
- Above 3%

The amount of COLA is:

- Equal to increase 2%
- CPI minus 1%
Computation of Disability Benefits
FERS Disability Benefits

The first year:
You will receive 60% of your high-3 average salary, minus 100% of any Social Security disability benefit that is payable

The second year until age 62:
You will receive 40% of your high-3 average salary, minus 60% of any Social Security disability benefit that is payable
At age 62:

• The annuity is recomputed using the FERS formula (1% X High-3 average salary times X years of service)

• Your original high-three average salary will be adjusted by all COLAs received up to age 62

• You will receive service credit for the time you have been on the disability rolls
Obtaining a Retirement Estimates

- Requesting an estimate of your retirement annuity is an important part of preparing for retirement.
- If you are within a five year tentative window of eligibility for a retirement, you may request an estimate.
- ABC-C will compute one retirement estimate per year. You must have an EBIS account established to proceed with the request.
- This retirement estimate will include things such as:
  - Verification of your military and civilian service that has been documented in your Official Personnel Folder (OPF).
  - Calculation of the amount of civilian deposit and/or redeposit owed.
  - The impact of unpaid civilian deposit or redeposit and military deposit on your retirement annuity.
  - Confirmation of your current FEHB and FEGLI enrollment and your eligibility to continue these benefits into retirement.
Obtaining a Retirement Estimates

By Telephone

• Requesting an estimate from ABC-C by utilizing the Automated Telephone System:
  
• Dial 1-877-276-9287
• Select option #3 for National Guard
• Briefly explain your current scenario and request an estimate.
• The estimate is usually received by mail at your HOR address in 2-3 weeks or by email at your provided email address
• ABC-C can provide a retirement estimate annually upon request as long as you’re within a five year window of a potential retirement
Obtaining a Retirement Estimates

Through HR Link in your EBIS Account

• Requesting an estimate from ABC-C through HR Link available in EBIS:
  • Log into your EBIS account
  • Click on the HR Link button at the top of the page
  • You will be asked to answer some questions to ensure your estimate fits your needs
  • Provide an email address. This is to send you a notification upon completion
  • ABC-C will review your Official Personnel Folder and complete your estimate.
  • You will receive an email notification that it has been completed.
  • You will then log back into your EBIS account and download the completed estimate.
Creating Your Own

- You can also create your own estimate utilizing the calculator available in EBIS:
- After logging into your EBIS account click on the calculator button.
- You can then choose between a quick retirement estimate or an advanced retirement estimate.
  - Quick estimate - allows you to select the type of retirement (voluntary, early, or deferred), date of retirement, and enter a high-3 average salary.
  - Advanced estimate - allows you to create different scenarios by adjusting your final salary and high-3 average salary, final sick leave balance, survivor benefit election, and your health insurance and life insurance options.
- This calculation method is dependent on the information entered for accuracy.
- Individuals Leave SCD is used to calculate retirement. This may result in time not creditable for retirement being included.
- If you have unpaid deposits, redeposit's, part time service or other unusual circumstances the estimate should be requested through an ABC-C benefits counselor.
Thrift Savings Plan
(TSP)
• TSP Basic Highlights
• TSP Tax Benefits
  • Tax Deferred
  • Roth TSP

• Contribution Elections
  • Uniformed / Civilian (FERS)
  • Catch up / Make up
  • Transfers into TSP
  • Allocation / inter-fund transfers

• Investment Options

• Accessing your TSP Funds
  • In-Service Options
  • Post-Service Options

• Death Benefits
• Court Ordered Payments
• RETIREMENT savings & investment program that provides a choice for the tax treatment of contributions
  • Temporary employees are not eligible but may still contribute to the Uniform TSP
• Two ways to invest for tax benefit purposes;
  • Traditional (pre-tax) contributions and investment earnings are tax deferred
  • Roth (after tax) contributions – investment earnings are tax exempt
• Provides an opportunity for you to increase your retirement savings and income
• Return is based on type of investment
• Start, change, or stop contributions at any time
  • Civilian Federal Employees (Technicians) - through Employee Benefits Information System (EBIS)
  • Traditional Guardsmen through “MyPay”
Thrift Savings Plan Tax Benefits

- Traditional TSP participant contributions are Tax Deferred
- Contributions are payroll deducted from the gross bi-weekly salary directly deposited into your TSP account
- Federal taxes are then computed and withheld based against the reduced gross amount
- Taxes are deferred until a withdrawal of the account is made
Example of Tax Deferred Benefit

Bi-weekly Basic Pay (gross) $1,470.00
TSP Election: (% or $) X 10%
TSP contribution: $147.00
Basis for Federal Tax Withholding $1,470.00
TSP payroll deducted - $147.00
Taxable Income: $1,323.00

Annual Income Earned: $38,220.00
TSP Contributions (26 X $147.00): - $3,822.00
Taxable Annual Income: $34,398.00
Roth TSP

- Allows participant to designate all or a portion of their contributions through payroll deduction to be contributed as post-tax Roth
  - Roth contributions may accrue federally tax-free earnings
  - Agency contributions will continue to be part of your traditional (non-Roth) balance
- Roth designation is made at agency payroll level (through EBIS) prior to the contributions being deposited into the TSP
Do you need the benefit now . . .?

- **Mike makes tax-deferred contributions**

<table>
<thead>
<tr>
<th>Gross Income</th>
<th>$40,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minus TSP contributions</td>
<td>-$2,000</td>
</tr>
<tr>
<td>Adjusted income</td>
<td>$38,000</td>
</tr>
<tr>
<td>Minus estimated federal</td>
<td>$5,245*</td>
</tr>
<tr>
<td>Income tax</td>
<td></td>
</tr>
<tr>
<td><strong>Spendable income</strong></td>
<td><strong>$32,755</strong></td>
</tr>
</tbody>
</table>

By contributing before-tax money to the TSP, Mike reduces his taxes and has about $488 more to cover everyday Expenses.

- **Ike makes after tax Roth contributions**

<table>
<thead>
<tr>
<th>Gross Income</th>
<th>$40,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minus estimated federal</td>
<td>-$5,733*</td>
</tr>
<tr>
<td>Income tax</td>
<td></td>
</tr>
<tr>
<td>After tax income</td>
<td>$34,267</td>
</tr>
<tr>
<td>Minus savings</td>
<td>-$2,000</td>
</tr>
<tr>
<td><strong>Spendable income</strong></td>
<td><strong>$32,267</strong></td>
</tr>
</tbody>
</table>

*IRS Publication 2017 Inst 1040; filing as single

As of Sep 28, 2017
Or Do you need the benefit later . . .?

**When Mike and Ike withdraw their balance:**

- Mike’s tax-deferred contributions and earnings will be subject to income tax
- Ike’s Roth contributions and earnings may be withdrawn tax-free

<table>
<thead>
<tr>
<th>Future value of $2,000* $8,077</th>
<th>Minus estimated federal $808</th>
<th>Income tax**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spendable income $7,269</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future value of $2,000* $8,077</th>
<th>Minus estimated federal $0</th>
<th>Income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spendable income $8,077</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In exchange for paying taxes up front and adhering to the Roth qualified distribution rules, Ike has about $808 more to spend in retirement.

*assumes 20 years of compound growth and 7% annual rate of return
**assumes same effective tax rate as previous slide

As of January 26, 2015
# Traditional TSP vs. Roth TSP

<table>
<thead>
<tr>
<th>The Treatment of:</th>
<th>Traditional TSP</th>
<th>Roth TSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution</td>
<td>Pre-Tax</td>
<td>After Tax</td>
</tr>
<tr>
<td>Your Paycheck</td>
<td><em>Taxes are deferred</em>, so less money is taken out of your paycheck</td>
<td><em>Taxes are paid up front</em>, so more money comes out of your paycheck</td>
</tr>
<tr>
<td>Transfers In</td>
<td>Transfers allowed from eligible employer plans and traditional IRAs</td>
<td>Transfers allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s</td>
</tr>
<tr>
<td>Transfers Out</td>
<td>Transfers allowed to eligible employer plans, traditional IRAs, and Roth IRAs</td>
<td>Transfers allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs</td>
</tr>
<tr>
<td>Withdrawals</td>
<td><em>Taxable</em> when withdrawn</td>
<td><em>Tax-free</em> earnings if five years have passed since January 1 of the year you made your first Roth contribution, AND you are age 59½ or older, permanently disabled, or deceased</td>
</tr>
<tr>
<td></td>
<td><strong>Roth IRA</strong></td>
<td><strong>Roth TSP</strong></td>
</tr>
<tr>
<td>------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Income limits</strong>*</td>
<td>Not available to taxpayers with Adjusted Gross Income above certain limits. Reduced levels are: Married Filing Jointly - $193,000 to $203,000 Married Filing Single - $0 to $10,000 All others - $122,000 to $137,000</td>
<td>Available to all participants regardless of income</td>
</tr>
<tr>
<td><strong>Contribution Limits</strong>*</td>
<td>$6,000 ($7,000 if at least 50 years of age)</td>
<td>$19,000 (plus an additional $6,000 if at least 50 years of age)</td>
</tr>
<tr>
<td><strong>Minimum distributions</strong></td>
<td>Not subject to RMDs until the IRA owner dies</td>
<td>Roth contributions are treated the same as other elective deferrals with respect to RMDs</td>
</tr>
<tr>
<td><strong>Rollover rules</strong></td>
<td>May NOT be rolled into a Roth 401(k); a Roth IRA can only be rolled into another Roth IRA</td>
<td>Can be rolled into another Roth 401(k) OR a Roth IRA</td>
</tr>
</tbody>
</table>

*Based on 2019 IRS limits
## TSP Contributions and Matching

<table>
<thead>
<tr>
<th>Employee Contributes:</th>
<th>Agency Automatic Contribution:</th>
<th>Agency Matching:</th>
<th>Total Contributions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>2%</td>
<td>1%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>4%</td>
<td>1%</td>
<td>3.5%</td>
<td>8.5%</td>
</tr>
<tr>
<td>5%</td>
<td>1%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>More than 5%</td>
<td>1%</td>
<td>4%</td>
<td>Employee’s + 5%</td>
</tr>
</tbody>
</table>
**TSP Employee Contribution Example**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bi-weekly Basic Pay ($25.00 ph gross)</td>
<td>$2000.00</td>
</tr>
<tr>
<td>TSP Election: 5%</td>
<td>$100.00</td>
</tr>
<tr>
<td>*1% Agency (LES = TSP basic)</td>
<td>$20.00</td>
</tr>
<tr>
<td>*4% Agency Match (LES = TSP Matching)</td>
<td>$80.00</td>
</tr>
<tr>
<td><strong>FREE MONEY</strong></td>
<td>$100.00</td>
</tr>
</tbody>
</table>

Each pay total contribution: $200.00

*Agency contribution and match is calculated against bi-weekly gross pay.*
TSP Contribution Elections

- **Agency Contribution** - 1% of the “gross amount” of bi-wkly pay
  - *NOT* based on employee contribution
  - Subject to **3 year vesting**
- **Employee Contribution** - Eligible to contribute at hire date
  - Contribution amount may not exceed the total annual elective deferral limit
- **Newly hired** technicians are automatically enrolled at a rate of 3% in the traditional tax deferred TSP
  - You may opt out or discontinue contributions
- Employee Contributions **and** Agency matching contributions are NOT subject to vesting requirement
Maximum Annual Contribution

• You can Contribute:
  • Up to 100% of basic pay – may meet limits too fast and cost matching contributions!
  • subject to the IRS Code annual limits
    • Sec 402(g), elective deferral limit ($19,000 for 2019)
    • Sec 415(c), annual additions limit ($56,000 for 2019)

• Combat Zone Tax Exempt (CZTE) contributions
  • Maximum Combat Zone tax exemption for enlisted and WO is up to 100% of pay
  • Maximum Combat Zone Tax Exemption for officers is limited to the highest rate of enlisted pay. (plus imminent danger/hostile fire pay received)
    • $8,586.00 per month ($8,361.00 + $225 imminent danger pay) for 2018

(IRS Publication 3, pages 12-13, dated 26 Feb 2019)
ELECTIVE DEFERRAL LIMIT:

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$19,000</td>
</tr>
</tbody>
</table>

Approximately $730.77 per pay period for 26 pay periods
Catch-Up Contribution

- Available to TSP participants in January of the year they reach age 50
- Additional contributions are a *supplement* to regular employee contributions and are in addition to the annual elective deferral limits
- Must be in a pay status and contributing the maximum in regular elective contributions to your TSP account
- Catch-up contributions are NOT matched
- Contributions are made using Form TSP-1-C or EBIS
- Must be initiated every year in a whole dollar amount - doesn’t carry over to next year
Catch-Up Contribution Limits

May begin contributions in the YEAR you turn 50

**Annual Contribution Limit**

2019* = $6,000

Possible Total Annual Deferred Contribution

$19,000 + $6,000 = $25,000

(Regular + catch-up)

(Note: uniform services in a combat zone: $56,000 + $6,000 = $62,000)

*subject to increases to reflect inflation
Employees in a Non-Pay Status

• Employees in a non-pay status may not contribute to TSP; agency automatic and matching contributions will also stop (If on Absent-US employee may enroll or contribute in uniformed service TSP)

• Employees cannot obtain a loan while in a non-pay status

• Employees MAY change contribution election, make inter-fund transfer or make an in-service withdrawal

• Employees who return to pay status cannot make up contributions for periods of non-pay (Exception for USERRA)
Deployments and Military Service

• USERRA
  • Uniformed Services Employment Reemployment Rights Act
  • Entitles Fed employees during ABSENT-US:
    • Make-up missed Contributions
    • Request the Agency Automatic Contribution (1%)
    • Request the Agency Matching Contribution (up to 4%)
  • Make up Payments
    • Installments or Lump sum
    • Uniformed TSP contributions

*Must have all active duty Military LESs / Must request through HRO upon RTD
Make-Up Contributions

• Make-up contributions are subject to the limit for the year they should have been made—they do not count against the current year’s limit

• In the event a person exceeds the IRS maximum contribution TSP will refund the excess contributions when the overage occurs (Uniform TSP is first if applicable)
Transfers and Rollovers into the TSP

• Active or separated participants may transfer or rollover into their TSP using money from:
  • Eligible employer plans under the Internal Revenue Code (IRC)
    • e.g. 401(k), 403(a), 403(b) or 457(b) governmental plans
  • Traditional and SEP individual retirement accounts or annuities (IRAs) under section 408(a) or 408(b) of the IRC
    • Does not include Roth, SIMPLE, education, or inherited IRAs
• Submit Form TSP-60/TSP-U-60 available from the TSP website
• The amount transferred or rolled over into the TSP account is allocated according to the current contribution allocation on file
Investment Considerations

- Time Horizon
- Risk Tolerance
- Diversification
Diversification Within TSP

- G Fund
- I Fund
- F Fund
- S Fund
- C Fund
Government Securities Investment Fund

• Invested in short-term non-marketable Treasury securities

• Investments are **not** subject to Credit Risk or Market Risk

• Rates of return may be lower than those of other TSP funds over the long term

• Low Risk
Fixed Income Index Investment Fund

- Government, corporate and mortgage backed bonds
- Invested in bond index fund that tracks Barclays Capital U.S. Aggregate bond index
- Offers opportunity for increased rates of return relative to the G Fund over the long term
- This fund carries credit and market risk, and has potential for negative rates of return
- Low to moderate risk
Common Stock Index Investment Fund

• Contains common stocks of large and medium sized companies that represent the U.S. stock markets

• To Match the performance of the Standard and Poor’s 500 (S&P) stock index

• Offers opportunity to diversify investments and to earn the relatively high return stocks can provide over the long term

• The total dollar value of the stocks in the S&P 500 makes up approximately 75% of the value of the U.S. stock markets

• Effect of poor performance of individual stock or industry is lessened

• Total C Fund return could be negative, resulting in a loss

• Moderate Risk
Small Capitalization Stock Index Fund

- Small to Medium Sized U.S. Companies, not included in the S&P 500 index (C Fund)
- Tracks the performance of the Dow Jones U.S. Completion Total Stock Index
- S Fund investments are expected to be more volatile in the short run than C Fund investments and may have potentially higher returns
- Moderate to High Risk
International Stock Index Investment Fund

- International Stocks of more than 20 developed countries
- Invested in stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australia and Far East) index
- Returns tend to fluctuate more than S&P 500 or Dow Jones TSM Index returns
- Investment are subject to both market and exchange rates
- I Fund investments are expected to be more volatile in the short run than C or S Fund investments
- Moderate to High Risk
Lifecycle Funds

• The Lifecycle Funds are a series of funds that use all of the individual TSP funds to create a portfolio based on the expected date for withdrawing the money

• Funds will automatically “rebalance” investments based on returns of the individual funds and your time horizon

• Subject to the risks of the individual funds but the total risk is reduced through diversification

• Lifecycle Funds became available in 2005
• Only the five existing TSP Funds are used

• Funds with longer time horizons will be invested primarily in equities (C, S and I Funds)

• Income Fund will largely, but not entirely be invested in fixed income (G and F Funds)

• Over time, as target date nears, fund allocations will move toward fixed income to reduce “risk”
There are 5 Lifecycle Funds

<table>
<thead>
<tr>
<th>FUND</th>
<th>TIME HORIZON</th>
<th>GROWTH</th>
<th>RISK</th>
<th>Preservation of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>L Income</td>
<td>Today and the near future</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>L 2020</td>
<td>2015 through 2024</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>L 2030</td>
<td>2025 through 2034</td>
<td>Moderate to High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>L 2040</td>
<td>2035 through 2044</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>L 2050</td>
<td>2045 or Later</td>
<td>High</td>
<td>High</td>
<td>Very Low</td>
</tr>
</tbody>
</table>
**Lifecycle Funds**

Percentage Allocations
(as of Jul 2018)

<table>
<thead>
<tr>
<th>FUND</th>
<th>G</th>
<th>F</th>
<th>C</th>
<th>S</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>L Income</td>
<td>74.00%</td>
<td>6.00%</td>
<td>11.20%</td>
<td>2.80%</td>
<td>6.00%</td>
</tr>
<tr>
<td>L 2020</td>
<td>61.60%</td>
<td>6.40%</td>
<td>17.76%</td>
<td>4.64%</td>
<td>9.60%</td>
</tr>
<tr>
<td>L 2030</td>
<td>32.69%</td>
<td>6.81%</td>
<td>32.99%</td>
<td>9.36%</td>
<td>18.15%</td>
</tr>
<tr>
<td>L 2040</td>
<td>20.85%</td>
<td>7.15%</td>
<td>38.64%</td>
<td>11.76%</td>
<td>21.60%</td>
</tr>
<tr>
<td>L 2050</td>
<td>11.35%</td>
<td>6.65%</td>
<td>43.22%</td>
<td>14.18%</td>
<td>24.60%</td>
</tr>
</tbody>
</table>
## Allocations and Inter-fund Transfers (IFT)

<table>
<thead>
<tr>
<th>Allocation</th>
<th>vs.</th>
<th>Inter-fund Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Identify</strong> which funds you want your contribution deposited</td>
<td></td>
<td>• Move a portion or all of a balance between Funds</td>
</tr>
<tr>
<td>• Allocate future contributions</td>
<td></td>
<td>• <strong>Two IFT per month</strong>- after that you can move ONLY to the “G” fund.</td>
</tr>
<tr>
<td>• Changes of an allocation is generally effective as of close of business each day based on 12 noon ET cutoff</td>
<td></td>
<td>• Changes for IFT are generally effective as of close of business each day based on 12 noon ET cutoff</td>
</tr>
<tr>
<td>• Change thru Thrift line or web</td>
<td></td>
<td>• Thrift Line, or Web site</td>
</tr>
<tr>
<td>• Confirmation via email</td>
<td></td>
<td>• Confirmation via email</td>
</tr>
</tbody>
</table>

Allocation and Inter-fund Transfer request are submitted by the individual through the TSP Thrift line at 1-877-968-3778 or on the TSP website at www.tsp.gov
Accessing Your TSP Funds

• In Service Options
  • TSP Loan Program
  • Age Based Withdrawal
  • Financial Hardship Withdrawal

• Post Service Options
  • Withdrawal(s)
  • Annuities
  • Rollovers or Transfers
TSP Loan Program

- Must be a current employee in a paid status; retirees may not obtain a loan
- Must have at least $1,000 of own contributions and earnings
- Loan Amounts
  - Minimum $1,000
  - Maximum $50,000 – IRS Limit
- Payments made by payroll deduction. Additional payments or loan pay off may be made at any time (Coupons available online)
- Loan fee: $50.00 for admin cost
- Two types of loans available
TSP Loan Program

**General Purpose Loans:**
- May be used for any purpose
- Repayment is from 1 to 5 years
- No loan documentation is required

**Residential Loans:**
- Used for purchase of primary residence
- Repayment period is from 1 to 15 years
- Documentation is required to support the loan

*The Spouse of a married FERS employee must consent to the loan agreement*
Age-Based in-service withdrawal

- Available to employees who are age 59 ½ or older
- May make a one-time withdrawal of all or any portion of your vested account balance
- Minimum amount of withdrawal is $1,000 or entire vested account balance, whichever is less
In-Service Withdrawals

**Financial Hardship in-service withdrawal**

- Available to employed participants (regardless of age/ may have tax consequences) who demonstrate financial hardship
- May withdraw only your own contributions and attributable earnings
- Minimum withdrawal cannot be less than $1,000
- No limit on the # of withdrawals, but there is a 6-month waiting period between applications
- During the 6-month waiting period, you **may not** make employee contributions; and FERS employees **will not** receive agency matching contributions
In-Service Withdrawal Taxes

Tax Consequences

• Taxable for Federal income tax purposes in the year in which received

• Subject to mandatory 20% Federal income tax withholding, which cannot be waived

• Financial hardship withdrawals taken under age 59 ½ are subject to early withdrawal penalty tax (10%)
Spousal Consent

• Married FERS employee must receive spousal consent prior to making an in-service withdrawal.

• If a spouse’s whereabouts are unknown, you may request a waiver using Form TSP-16.
Leaving Your Money In The TSP Account

As long as your vested balance is over $200, you may leave your money in the plan until 1 April of the later of two dates:

Either:

• The year following the year you attain age 70 ½

OR

• The year following the year you separate from Federal service
• Account continues to grow
• Interfund transfer options
Post-Service Withdrawals

- Take a one-time partial withdrawal from account
- Receive account balance in a single payment
- Transfer or Rollover account balance to an IRA
- Transfer or Rollover account balance to another qualified employer pension plan under the Internal Revenue Code (IRC)
- Receive account balance in a series of monthly payments
- Purchase an annuity
- Elect any combination of the above to affect entire account balance
EARLY WITHDRAWAL PENALTY TAX

• This tax is an additional 10% of the total amount directly received from TSP, unless payments are transferred or rolled over.

• If you separate or retire before the year in which you turn age 55, the 10% penalty tax is applicable until you reach age 59 ½.

• If you separate or retire during or after the year in which you reach age 55, the 10% early withdrawal penalty no longer applies.
Exceptions to the penalty include:

• Annuity payments
• Payments made because of death
• Payments to disability retirees (as defined by social security)
• Payments computed by TSP using Life Expectancy Tables
• Distributions used for payment of medical expenses that would be deductible under the Internal Revenue Code
• NOTE for ROTH TSP: Becomes qualified or tax free upon meeting both of the following conditions:
  • 5 years have passed since 1 January of the year you began contributions
  • You have reached age 59 ½ or have a permanent disability
Eligible Roll Over Distributions:

• Single payment
• Automatic cash-outs
• Equal monthly payments to be paid out in less than 10 years (not using Life Expectancy Tables)
• Death benefits paid to the spouse of a deceased participant

*These payments may be subject to a mandatory 20% tax withholding, which may be avoided on all or any portion of an eligible rollover distribution by having TSP make a direct transfer to an IRA or other eligible retirement plan.

(see www.tsp.gov for roll over rules on ROTH)
PERIODIC PAYMENTS:

- Equal payments to be paid out in 10 years or more
- Equal payments computed by TSP using IRS Life Expectancy Tables
  - Single Life Table until age 71
  - Uniform Lifetime Table beginning at age 71
  - May create a substantial decrease in amount received for several years
- Life Annuity payments

*Withholding is based on the assumption you are married claiming 3 allowances, unless you submit Form W-4P directing otherwise.*
NON-PERIODIC PAYMENTS: *

- Financial hardship withdrawals
- Required minimum distribution payments after reaching age 70½
- Death benefits paid to a non-spouse beneficiary
- Court-ordered payments made to someone other than the spouse or former spouse, including child support

* TSP will withhold 10% from these payments, unless you submit Form W-4P directing otherwise.
Single Life Annuities – 6 Options

Level Payments:
• With no additional features
• With Cash Refund feature
• With 10-year Certain feature

Increasing Payments:
• With no additional features
• With Cash Refund feature
• With 10-year Certain feature
TSP Annuities

Joint Life Annuity With Spouse – 8 Options

Level Payments:
- 100% survivor annuity
- 50% survivor annuity
- 100% survivor annuity with Cash Refund feature
- 50% survivor annuity with Cash Refund feature

Increasing Payments:
- 100% survivor annuity
- 50% survivor annuity
- 100% survivor annuity with Cash Refund feature
- 50% survivor annuity with Cash Refund feature
Joint Life Annuity With Other Survivor – 4 Options

Level Payments:

• 100% survivor annuity
• 50% survivor annuity
• 100% survivor annuity with Cash Refund feature
• 50% survivor annuity with Cash Refund feature

* The joint annuitant must have an “insurable interest” in you (be financially dependent on you and able to reasonably expect to derive financial benefit from your continued life).
On November 17, 2017, the TSP Modernization Act of 2017 was signed into law. It will provide TSP participants with more flexible withdrawal options.

- Eliminates the statutory prohibition on multiple post-separation withdrawals and multiple age-based withdrawals while a participant is still working.

- Removes the restriction that participants cannot take partial post-separation withdrawals if they’ve already taken an age-based in-service withdrawal.

- Allows separated participants who are over age 70½ to remain in the TSP, eliminating the requirement to make a withdrawal election on an entire account balance.

- Participants will also be able to stop monthly payments, change payment frequency, or elect to purchase an annuity while receiving monthly payments.

* The Executive Director of the FRTIB has the authority to establish parameters regarding this new ability to take multiple withdrawals, and the law gives the FRTIB up to two years to make the regulatory and operational changes necessary to enact these changes.
TSP Death Benefits

• Paid To Whom:
  - Based on TSP-3, Designation of Beneficiary
  - If there is no TSP-3 on file benefits will be paid in Statutory Order of Precedence

• How:
  - Use TSP-17, Information Regarding Deceased Participant
  - Paid as a Single Payment-subject to 20% Federal Tax
  - Spouse may establish a TSP account in his/her own name or transfer to an IRA or other eligible employer account (no taxes withheld)
• Amounts in the account are held in trust for the participant. TSP accounts are not subject to execution, levy, attachment, or other legal process (5 U.S.C. 8347(e)(2))

• Court ordered payments for divorce, alimony, child support, and child abuse are honored by the TSP (5 U.S.C. 8347(e)(3))
The TSP will honor the following court orders:

- Payment of child support
- Matrimonial Settlement Agreement
- Alimony
- Civil cases involving child abuse
- Victim Restoration Act
Court Ordered Payments

• Method of payment:
  - Cash payment to spouse/former spouse or attorney/child support authority
  - Spouse/former spouse payment subject to 20% Federal tax withholding
  - All or any portion may be transferred to:
    - IRA
    - Equivalent employer plan (401(k), 403(a) or 403(b))
    - If a TSP participant, his/her account
• Process:

  • Attorney reads TSP Booklet “Information about Court Orders”

  • A valid, complete court order is submitted to the TSP Service Office

  • Paralegal section reviews the order to ensure it is valid and TSP is able to pay

  • Invalid court orders are returned to submitter with copy of the booklet
The process (continued)

If a complete, valid court order is received:

- The account is placed on hold until the order is paid
- The participant may not apply for or receive a loan or withdrawal until the payment is made
- Court order notices are mailed to participant and payee
- Spouse/former spouse given the opportunity to transfer payment to qualifying IRA
- Participant given opportunity to waive tax withholding on child support payment
The process (continued):

• Payment is made within 60 days of TSP mailing notice
• Payee can request a payment within 31 days of TSP mailing the notice
• Spouse/former spouse responsible for reporting amount paid as alimony or a matrimonial settlement
• Participant responsible for reporting amount paid for child support (Amount may be subject to IRS early withdrawal penalty)
TSP Contacts and References

• THRIFTLINE (TOLL FREE) – 1-877-968-3778

• THRIFT INVESTMENT BOARD – 202-942-1460

• FAX – 1-866-817-5023
Federal Employee Benefits - Insurances

FERS

Additional Federal Employee Benefits

FEHB
FEDVIP
FSA
FEGLI

FLTCIP
NGAUS
TCC
Federal Employee Health Benefits (FEHB)

Federal Employees’ Health Benefits (FEHB)
FEHB Plan Features

- No waiting periods
- Choice of coverage
- Choice of plans and options
- Government contribution
- Premium Conversion (Only while employed)
- Same Annual Open Season
- Continued group coverage
- Tricare suspension option
To be eligible to continue FEHB coverage into retirement you must:

- Be eligible for an immediate annuity
- Be insured on the date of retirement
- Have been enrolled (or covered as a family member) for 5 years immediately preceding retirement, or since your first opportunity to enroll
- Tri-Care during mobilization is considered federally sponsored insurance and counts towards the five year requirement
  - Request a Certificate of Creditable Coverage from DEERS (It must reflect or confirm that there were no gaps in between coverages)
For surviving family members to be eligible to continue FEHB coverage:

• They must have been covered as a family member on the employee or retiree’s date of death,

  **AND**

• At least one family member must be entitled to a survivor annuity
TCC Benefits

• Provides up to 18 months additional coverage to employees/retirees after separation from Fed Service

• Provides up to 36 months additional coverage for family members upon loss of status as eligible family member

• Enrollee must pay the entire premium, plus a 2% admin fee
• If you are 65 or older and **still working**, FEHB is primary payer and Medicare is secondary

• If you are 65 or older and **no longer working**, Medicare is primary payer and FEHB is secondary
You may choose to **suspend** your FEHB coverage to enroll in a Medicare managed care plan.

- This requires the submission of OPM form RI 79-9, Health Benefits Cancellation/Suspension Confirmation.

If you suspend FEHB coverage, you can opt back in during any open season.
• After retirement, you may choose to **suspend** your FEHB coverage to enroll in TRICARE or TRICARE for Life

  • This requires the submission of OPM form RI 79-9, Health Benefits Cancellation/Suspension Confirmation.

• If you suspend FEHB coverage, you can opt back into FEHB during any open season
FEHB and Tricare for Life (TFL)

• To be eligible for TFL, you must enroll in Medicare Part B

• Provides expanded medical coverage for Medicare-eligible military retirees, family members, widow/widowers and certain former spouses

• When you become eligible for Medicare after retirement, Medicare is the primary payer, FEHB is secondary, and TFL pays third
Federal Employees Dental and Vision Insurance Program (FEDVIP)

- Must be **eligible** for FEHB
- Can enroll in dental, vision or both
- Self Only, Self & Family, Self & One
- Pre-tax benefit (while employed)
  - [https://www.benefeds.com/](https://www.benefeds.com/)

ENROLL AT
[https://www.benefeds.com](https://www.benefeds.com)
1-877-888-3337
TTY 1-877-889-5680

**Dental Benefits**
- Diagnostic
- Preventative
- Emergency Care
- Restorative
- Oral/Maxillofacial Surgery
- Endodontics
- Periodontics
- Prosthodontics
- Orthodontics

**Vision Benefits**
- Diagnostic Services
- Preventative Services
- Eyewear
  - Glasses
  - Contacts
Flexible Spending Accounts (FSA)

To receive more information regarding FSAs, please contact a FSAFEDS Benefits counselor.

Retirees are **not** eligible to continue the use of a FSA.

Email:  FSAFEDS@adp.com
Telephone: 1-877-FSAFEDS (1-877-372-3337)
TTY: 1-800-952-0450

- Mon-Fri 9 a.m. – 9 p.m. ET
- Closed Weekends and Holidays
- [http://www.fsafeeds.com](http://www.fsafeeds.com)
Federal Employees Group Life Insurance (FEGLI)

Basic FEGLI

Option A Standard
Option B Additional
Option C Family
To be eligible to continue FEGLI coverage into retirement you must:

- Be eligible for an immediate annuity
- Be insured on the date of retirement
- Have been enrolled for 5 years immediately preceding retirement, or since your first opportunity to enroll
- Insurance elections may be retained at the same level or reduced; but not increased going into retirement
- Annuity must be sufficient to cover the premiums
FEGLI Basic Coverage

• Annual rate of basic pay, rounded up to the next even $1,000 plus an additional $2,000

Example:

Basic pay of $47,800
Rounded up to $48,000
Add an additional $2,000
$48,000 + $2,000 = $50,000
Basic Insurance Amount is: $50,000

*If under age 45 there’s an extra benefit
Election options at retirement:

- Waive FEGLI coverage
- No Reduction - Maintains full amount of basic coverage
- 50% Reduction - Coverage reduces by 1% per month for approximately 50 months until it reaches 50% of its initial amount
- 75% Reduction - Coverage reduces by 2% per month for approximately 37.5 months until it reaches 25% of its initial amount
  - Reductions, if applicable, begin at age 65 or at the time of retirement, whichever is later
- Must maintain basic coverage to maintain any optional coverages
FEGLI Option A Coverage

• Standard $10,000 coverage

• The only election options for Option A FEGLI at retirement are to either retain or drop coverage

• If you choose to retain Option A coverage, you will pay premiums up to age 65.

• At age 65, the value of the coverage decreases by 2% per month for approximately 37.5 months, until it reaches $2,500
FEGLI Option B Coverage

• Current Salary rounded up to nearest thousand multiples of 1 thru 5

• Full Reduction – At age 65, no cost & coverage begins reducing by 2% per month for approximately 50 months at which point the coverage will end

• No Reduction - Continue coverage on an unreduced basis by continuing to pay premiums after age 65

• If you elect unreduced coverage, you may later cancel that election and revert to reducing coverage
Family members are automatically covered. You may elect multiples of 1 thru 5. Each multiple is equal to $5,000 for your spouse and $2,500 for each eligible dependent child.

Full Reduction – At age 65, no cost & coverage begins reducing by 2% per month for approximately 50 months at which point the coverage will end.

No Reduction - Continue coverage on an unreduced basis by continuing to pay premiums after age 65.

If you elect unreduced coverage, you may later cancel that election and revert to reducing coverage.
Lump sum is payable if:

- Terminally Ill
- Medical Documentation shows life expectancy to be 9 months or less

Lump-sum payment equal to the basic

Annuitants amount is reduced based on the post-56 election made

Current employees may elect a partial payment

This election is irrevocable
Who receives the death benefit?

- Valid Court Order
- Designated beneficiary or assignee (As indicated on the SF 2823)
- Spouse (Widow or Widower)
- Child or children equally (and/or descendants of deceased children)
- Parent or parents
- Executor or administrator of estate
- Next of kin, per the laws of your state of residence at the time of death
There are 4 different types of recommended beneficiary forms you may wish to complete:

- SF 2823 - For your FEGLI benefits
- SF-1152 - For unpaid compensation if you die while Federally employed
- SF-3102 (FERS) for un-recovered contributions to the retirement fund
- TSP-3 - For your TSP account balance (send directly to TSP)
Federal Long Term Care Insurance Program (FLTCIP)

An insurance program designed to protect the Federal family against high costs of long term care. Can help pay for a wide range of services, including:

• Nursing Home Care
• Assisted Living Facility Care
• Adult Day Care
• Respite Care
• Home Health Care
  • Car/Sports accident
  • Disabling injury
  • Stroke
Federal Long Term Care Insurance Program (FLTCIP)

BENEFIT PERIOD

• Three years,
• Five years, OR
• Lifetime

Apply and enroll online, answer a few health questions.

Qualified Relatives can also apply.

Premiums are based on age and health.

www.opm.gov/insure
Want to talk with a Certified Long Term Care Insurance Consultant?

Tel: 1-800-LTC-FEDS (1-800-582-3337)
TTY: 1-800-843-3557
Mon - Fri 8 a.m. - 8 p.m. ET
Sat 9 a.m. - 5 p.m. ET
Closed Sun and Federal holidays.

http://www.ltcfeds.com
Federal Employee’s Survivor Benefits
Death In-Service

Potential Eligible Survivors Include:

• Your spouse
• A former spouse with a court-ordered entitlement
• Your children
Surviving Spouse’s Eligibility Requirements:

• Married to deceased employee at least 9 months, or
• Employee’s death was accidental, or
• There is a child born of the marriage
### Basic Employee Death Benefit (BEDB)

<table>
<thead>
<tr>
<th>Length of Service:</th>
<th>Benefits Payable:</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 mos. up to 10 yrs.</td>
<td>Lump sum payment of $33,072.36 (2018), PLUS Lump sum = the higher of:</td>
</tr>
<tr>
<td></td>
<td>- 1/2 of annual pay, or</td>
</tr>
<tr>
<td></td>
<td>- 1/2 of high-3 salary</td>
</tr>
<tr>
<td>10yrs or more</td>
<td>All the above, PLUS a survivor annuity = 50% of the earned annuity as of the date of death</td>
</tr>
</tbody>
</table>
Lump-Sum Payment

Lump sum payment of retirement contributions is paid in accordance with the standard order of precedence, in the absence of an eligible spouse, former spouse or child entitled to a survivor annuity.
At retirement:

There are 3 election options for **spousal** survivor benefits:

- No survivor benefit
- Maximum survivor benefits
- Partial survivor benefits
Survivor Annuity

• You may designate a maximum, partial or NO survivor annuity at retirement for spouse/former spouse

• Designating anything less than the maximum survivor annuity will require that you obtain the spouse’s notarized written consent
Survivor Annuity

The cost to provide the survivor benefit is calculated as follows:

- 10% of the retirees base annuity will provide a **maximum** benefit of 50% to survivor

Or

- 5% of the retirees base annuity will provide a **partial** benefit of 25% to survivor
Cost for Survivor Benefits

Example using $15,000 as the retiree’s annuity (Base):

10% of Base ($15,000) = $1,500

The Cost is: $1500 / 12 = $ 125 per month
The retirees annuity is reduced to: $13,500

Maximum survivor benefit (50% of base) = $7500
$7500 / 12 mos. = $625 per month for survivor
Insurable Interest Survivor Benefit

Those presumed to have an insurable interest relationship with you include:

- Current spouse
- Blood or adoptive relative closer than 1st cousin
- Former spouse
- Person to whom you are engaged
- Person with whom you are living in a common-law relationship
Making Changes to Survivor Elections

- Changes can be made without penalty within 30 days of receipt of the first regular annuity check. If the change requires spousal consent, it must be obtained.
- Within 18 months of the commencing date of the annuity, a survivor election may be added or increased.
- If the annuitant marries after retirement, a new survivor election may be made within 2 years of the date of marriage.
- If your spouse predeceases you, your annuity will be restored to full payments prospectively upon contacting OPM to report the death.
A spouse’s **future entitlement** to a survivor benefit is terminated by divorce, unless a court order awards survivor benefits.

Surviving **current** spouses who remarry prior to age 55 will lose entitlement to the survivor benefit, unless the marriage had lasted at least 30 years.

Survivor benefit may be restored if the **new** marriage ends by death, divorce or annulment.

Surviving **former** spouses who remarry prior to age 55 will permanently lose the survivor benefit.

If your spouse pre-deceases you, OPM will restore the annuity to full payments upon notification of the death.
A monthly survivor benefit is payable to eligible children upon the death of an employee or retiree.

Eligible Children Must Be:

- Unmarried
- Dependent of the retiree (or employee) at the time of death
- Under age 18, or
- Under age 22 if a full-time student, or
- A disabled child who is incapable of self-support and whose disability occurred prior to age 18
Single Orphan Rate:
(2018 Rate)

When the child has a living parent who was married to the employee or retiree, the smaller of the 2 following amounts will be paid:

• $522 per month per child, or

• $1,566 divided between the number of eligible children
Double Orphan Rate:

(2018 Rate)

When the child does not have a living parent who was married to the employee or retiree, the smaller of the 2 following amounts will be paid:

• $627 per month per child, or

• $1,881 divided between the number of eligible children
Social Security Benefits Overview

Social Security Administration
Social Security Benefits Overview

A Foundation for Planning Your Future

- Social Security
- Pension
- Savings & Investments
- Other Income
Social Security Benefits Overview

Who Pays for Social Security?

Today’s Workers & Employers

Today’s Beneficiaries
How Do You Qualify for Retirement Benefits?

• You need to work to earn Social Security “credits”

• Each $1,320 in earnings gives you one credit

• You can earn a maximum of 4 credits per year

Example: To earn 4 credits in 2018, you must earn at least $5,280. Earning 40 credits (10 years of work) throughout your working life will qualify you for a retirement benefit.
Your Age At The Time You Elect Retirement Benefits Affects the Amount

If You’re a Worker and Retire

• At age 62, you get a lower monthly payment
• At your full retirement age, you get your full benefit
• You get an even higher monthly payment if you work past your full retirement age
Social Security Benefits Overview

Your Age At The Time You Elect Retirement Benefits Affects the Amount
For example, if you were born in 1960 or Later:

- Age 62 70% of benefit
- Age 63 75% of benefit
- Age 64 80% of benefit
- Age 65 86.7% of benefit
- Age 66 93.3% of benefit
- Age 67 100% of benefit
- Age 70 124% of benefit

**REDUCTION IS PERMANENT**
<table>
<thead>
<tr>
<th>Year of Birth</th>
<th>Full Retirement Age</th>
<th>% at Age 62</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>65</td>
<td>80%</td>
</tr>
<tr>
<td>1938</td>
<td>65 &amp; 2 months</td>
<td>79.2%</td>
</tr>
<tr>
<td>1939</td>
<td>65 &amp; 4 months</td>
<td>78.3%</td>
</tr>
<tr>
<td>1940</td>
<td>65 &amp; 6 months</td>
<td>77.5%</td>
</tr>
<tr>
<td>1941</td>
<td>65 &amp; 8 months</td>
<td>76.7%</td>
</tr>
<tr>
<td>1942</td>
<td>65 &amp; 10 months</td>
<td>75.8%</td>
</tr>
<tr>
<td>1943-1954</td>
<td>66</td>
<td>75%</td>
</tr>
<tr>
<td>1955</td>
<td>66 &amp; 2 months</td>
<td>74.2%</td>
</tr>
<tr>
<td>1956</td>
<td>66 &amp; 4 months</td>
<td>73.3%</td>
</tr>
<tr>
<td>1957</td>
<td>66 &amp; 6 months</td>
<td>72.5%</td>
</tr>
<tr>
<td>1958</td>
<td>66 &amp; 8 months</td>
<td>71.7%</td>
</tr>
<tr>
<td>1959</td>
<td>66 &amp; 10 months</td>
<td>70.8%</td>
</tr>
<tr>
<td>1960 &amp; later</td>
<td>67</td>
<td>70%</td>
</tr>
</tbody>
</table>
Replacement Rates

57% Low Income Worker
- $20,800 annual avg.
- $995/month benefit at full age

45% Middle Income Worker (average-08)
- $41,335 annual avg.
- $1,543/month benefit at full age

35% Higher Income Worker
- $75,000 annual avg.
- $2,158/month benefit at full age

% of earnings
In Addition to the Retiree, Who Else Can Get Benefits?

Your Spouse (Eligible for up to 50% of your unreduced)

- At age 62 - (30% age reduction applies)
- At any age if caring for child under 16 or disabled
- Divorced spouses may qualify if married 10 years and cannot be remarried

Your Child

- Not married under 18 (under 19 if still in high school)
- Not married and disabled before age 22
Social Security benefits are based on earnings

• **Step 1** - Your wages are adjusted for changes in wage levels over time

• **Step 2** - Find the monthly average of your 35 highest earnings years (zero earnings years will lower average)

• **Step 3** - Result is “average indexed monthly earnings”
Social Security Benefits Overview

Use the Retirement Estimator

- Convenient, secure, and quick financial planning tool
- Immediate and accurate benefit estimates
- Lets you create “What if” scenarios based on different ages and earnings

www.socialsecurity.gov/estimator
### Social Security Benefits Overview

#### You Can Work & Still Receive Benefits

<table>
<thead>
<tr>
<th>If You Are</th>
<th>In 2019 You Can Make Up To</th>
<th>If You Make More, Some Benefits Will Be Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Full Retirement Age</td>
<td>$17,640/yr. ($1,470/mo.)</td>
<td>$1 for every $2</td>
</tr>
<tr>
<td>The Year Full Retirement Age is Reached</td>
<td>$46,920/yr. ($3,910/mo.)</td>
<td>$1 for every $3</td>
</tr>
<tr>
<td>Month of Full Retirement Age and Above</td>
<td>No Limit</td>
<td>No Limit</td>
</tr>
</tbody>
</table>

Note: If some of your retirement benefits are withheld because of your earnings, your benefits will be increased starting at your full retirement age to take into account those months in which benefits were withheld.
Social Security Benefits Overview

What Income Counts Towards the Earnings Test Limits

Income that Counts as Earnings

- Gross wages from employment and/or net earnings from self employment

Income that Does NOT Count as Earnings

- Inheritance payments
- Pensions
- Income from investments
- Interest and dividends
- Capital gains
- Other sources
Applying for Retirement Benefits

You can apply online for Retirement Benefits by visiting www.ssa.gov and then clicking on “Retirement”
Who Can Get Survivors Benefits?

Your Child if:
- Not married under age 18 (under 19 if still in high school)
- Not married and disabled before age 22

Widow or Widower:
- Full benefits at full retirement age
- Reduced benefits at age 60 (approximately a 28% reduction)
- If disabled as early as age 50
- At any age if caring for child under 16 or disabled
- Remarriage after age 60 (50 if disabled)
- Divorced widows/widowers may qualify
Other Survivors Benefits

- Parents
  Age 62 and was receiving at least one-half support from deceased worker

- Lump Sum Death Payment ($255)
  Most spouses
  Some children
Are Social Security benefits taxable?

• First determine your base amount:
  • $25,000 - $34,000 for an individual
  • $32,000 - $44,000 if filing jointly
• Next calculate to see if any of your benefits may be taxable:
  • Add half of your Social Security benefit and your other income together.
  • If the total is more than the base amount some of your benefits may be taxable
  • Generally up to 50% of your benefit will be taxable.
  • However up to 85% of your benefit can be taxable if base amount is over $34,000 for an individual or $44,000 if filing jointly

For more information call, 1-800-829-3676 or visit www.irs.gov

IRS Pub. 915
Who Can Get Medicare?

65 & older

-or-

24 months after entitlement to Social Security disability benefits

-or-

Amyotrophic Lateral Sclerosis

-or-

Permanent kidney failure and receive maintenance dialysis or a kidney transplant (30 months to enroll)
Social Security Benefits Overview

The 4 Parts of Medicare

Part A
Hospital Care

Part B
Medical Insurance

Part C
Medical Advantage Plans
(like HMO’s/PPO’s)
Includes Part A, Part B, and sometimes Part D

Part D
Medicare Prescription Drug Coverage
Medicare Coverage

Part A - Hospital Insurance

• Covers most inpatient hospital expenses
• 2018 Deductible $1,340
• Most people will not pay premiums for Part A (If you or your spouse paid FICA taxes for 10 yrs.)
• If you buy part A, you’ll pay up to $422 per month
• Once out of the hospital for 2 months the clock starts over on the deductible

Part B - Medical Insurance

• Covers 80% doctor bills & other outpatient medical expenses after first $184 in approved charges
• 2018 Standard Monthly Premium $134 (premium is income based, savings are included in this income adjustment as well as any TSP withdrawals)
• Late penalty applies if you enroll after eligibility window and penalty is for life.
• Do not need to enroll in Part B while working, 8 month special eligibility window applies once you have retired or stopped working.
Part C - Medicare Advantage Plan

- Eligibility requirements are that you must be enrolled in Part A and Part B and live in the plan service area.
- Provides Medicare-covered benefits but may cover some extra benefits.
- Receive services through Part A and Part B, you may need to use network doctors and hospitals.
- May differ from Medicare in benefits and cost sharing.
- Compare Plans: medicare.gov/find-a-plan/

Part D – Prescription Drug Coverage

- Covers a major portion of prescription drug costs for Medicare beneficiaries.
- Enroll With Medicare prescription drug provider not SSA.
- Annual enrollment period October 15 through December 7.
- Extra help with premiums for those with limited income/resources but does not waive co-payments.
- Allows for special enrollment period with no penalty once retired or not working if you had been carrying FEHB while working.
- If enrolled in FEHB or Tricare Part D is not needed.
When Can I Sign Up for Medicare Part B?

**Medicare Enrollment Periods:**

- **Special Enrollment Period** – if still working (8 months after you stop working)
- **General (open season)** – January-March (10% penalty for late enrollment, per month) Permanent Penalty
- **Initial** – 3 months before turning 65, the month you turn 65, or 3 months after you turn 65.
What if I have TRICARE?

- If retired from the military, you must enroll in Part A and Part B to keep Tricare for Life.
- Medicare is the Primary Payer
- TRICARE is the secondary, so your out-of-pocket expenses are less.
- TRICARE benefits include covering Medicare’s coinsurance and deductible for services covered by Medicare and TRICARE.
- When retired service members and their families become eligible for TRICARE For Life (typically at 65) they are no longer able to enroll in TRICARE Prime.
Online Services for before or after you receive benefits

- Retirement Estimator
- Retirement & Disability Applications
- Medicare Online
- Apply for Extra Help With Medicare Drug Plan Costs
- Retirement/Survivors/Disability Planner
- Request a Social Security Statement online
- Change of Address
- Medicare Card Replacements
- Request a Benefit Verification Letter
- Start or Change Direct Deposit

www.socialsecurity.gov
Retirement and Estate Planning Basic Overview

Retirement and Estate Planning
• A variety of tax-sheltered opportunities are available for building retirement assets.

• **Tax Sheltering** – tax laws allow certain income to remain exempt from income taxes or permit an adjustment, reduction, deferral, or elimination of income tax liability.
Misconceptions About Retirement Planning

• You have plenty of time to start saving for retirement …
• Saving just a little bit won’t help …
• You’ll spend less money when you retire …
• My retirement will only last 15 years …
• You can depend on Social Security and a company pension to pay your basic living expenses …
• Your pension benefits will increase to keep pace with inflation
• Your employer’s health insurance plan and Medicare will cover all your medical expenses when you retire…
Conducting a Financial Analysis

Assets - Liabilities = Net Worth

- Ideally net worth should increase each year

Housing

- If owned, probably your biggest single asset
- If large equity, a reverse mortgage could provide additional retirement income
- Sell your home, buy a less expensive one, and invest the difference

Life Insurance

- May reduce coverage as you near retirement and children are self-sufficient
- Increase income by lowering premiums

Other Investments

- After retirement, consider changing your objective from growth to income
Estimating Retirement Living Expenses

• Spending patterns and where and how you live will probably change

• Some expenses may go down or stop:
  - 401(k) retirement fund contributions
  - Work expenses - less for gas, lunches out
  - Clothing expenses - fewer and more casual
  - Housing expenses - house payment may stop if your house is paid off
  - Federal income taxes will probably be lower

• Other expenses may go up:
  - Life and health insurance unless your employer continues coverage
  - Medical expenses increase with age
  - Expenses for leisure activities
  - Gifts and contributions

• Inflation will increase the amount needed to cover expenses over the course of retirement
Determine Your Planned Retirement Income and Develop a Balanced Budget

Major Sources of Retirement Income

- Employer Pension Plans
  - Defined Contribution (e.g., Thrift Savings Plan)
  - Defined Benefit (e.g., FERS Annuity)
- Public Pension Plans (e.g., Social Security)
- Personal Retirement Plans (e.g., Roth and Regular IRAs)
- Annuities
Employer Pension Plans

Defined Contribution Plans

An individual account to which employer contributes a specific amount annually

- **Money-Purchase Pension Plans** - % of earnings set aside annually by employer
- **Stock Bonus Plans** - Employer’s contribution buys stock in the company
- **Profit-Sharing Plans** - Employer’s contribution depends on the company’s profits

401(k) or 403(b) Plans / Thrift Savings Plan

- “Salary-reduction” plan
- Workers elect to reduce their salary (up to maximum amount allowed)
- Employee contributions are tax-deferred
- Some employers match a portion of workers’ contribution
- Funds invested in stocks, bonds, and mutual funds
- Vesting period
Defined Benefit Plans

- Employer will pay a certain amount per month when workers retire based on:
  - Pre-retirement salary
  - Number of years of service
  - Employers make investment decisions; assume risk
  - Workers’ benefit amount stays the same regardless of how the investments perform

ERISA

- *Employee Retirement Income Security Act of 1974*
- Sets minimum standards for pension plans
- Federal government insures part of the payments promised by defined-payment plans
Retirement Plan Insurance

Pension Benefit Guarantee Corporation

• (PBGC; www.pbgc.gov)

• Provides insurance program that guarantees certain benefits to eligible workers whose employers’ defined-benefit plans are not financially sound enough to pay their obligations.

• It does not insure defined-contribution plans.
Personal Retirement Accounts

Individual Retirement Accounts (IRAs)

Regular (Traditional) IRA

- Allows $6,000 contribution in 2019 (Age 50 or older, $7,000)
- Contribution may be tax-deductible, depending on your tax filing status and income
- Interest accumulates tax free until withdrawal
- May begin withdrawing at 59 ½
- **Must** begin withdrawing at 70 ½
- Withdrawals are taxable income
Individual Retirement Accounts

Roth IRA

- Contributions are not tax deductible
- Distributions tax free after age 59 ½
- Maximum income limits for contributions
- After five years, withdrawals are tax-free and penalty-free, if:
  - You are at least 59 ½ … or
  - Funds used as a down payment on a first-time home purchase
- Can convert a Regular IRA into a Roth IRA
Individual Retirement Accounts

- **Simplified Employee Pension (SEP-IRA)**
  - IRA funded by small business employer
  - Employer can make annual contributions up to $56,000 (2019)
  - Employee’s contributions fully tax-deductible
  - Simplest retirement plan for the self-employed

- **Spousal IRA**
  - Contributions for a nonworking spouse if filing a joint return
  - Same Contribution limits as Roth or Traditional IRAs
Individual Retirement Accounts

• Rollover IRA
  • Traditional IRA allowing transfer of all, or a portion, of your taxable distribution from a retirement plan or other IRA

• Education IRA
  • Coverdell Education Savings Account (ESA)
  • May give up to $2,000 a year to each child under age 18
  • Contributions not tax-deductible
  • Tax-free distributions for education expenses
Individual Retirement Accounts

- **Keogh Plans**
  - *H.R. 10 plan or self-employed retirement plan*
  - Designed for the self-employed
  - Annual tax-deductible contributions limited
  - Can be difficult to administer

- **Limits on Personal Retirement Plans**
  - Cannot leave money in a tax-deferred retirement plan forever (except for Roth IRA)
  - At retirement or by age 70½, you must begin to receive a minimum lifetime distribution
Anticipated Sources of Retirement Income

- Social Security: 27%
- Other: 9%
- 401(k): 7%
- Spouse's pension: 7%
- Company pension: 18%
- IRA: 8%
- Savings: 12%
- Part-time work: 7%
- Home equity: 5%
Living on Your Retirement Income

• Estimate a retirement budget
• If funds are not enough:
  • First, make sure you are getting all the income you are entitled to
  • Convert assets into cash or sources of income
  • Consider the trade-off between spending and saving
  • Consider working during retirement
  • Dip into your nest egg cautiously and consider what you would like to leave for your heirs
Analyze the Personal and Legal Aspects of Estate Planning

- **Your estate** = everything you own

- **Estate Planning** = a definite plan for the administration and disposition of your property during your lifetime and at your death
  - While you work, you accumulate funds for your future and for your dependents.
  - As you grow older, your emphasis will shift from accumulating assets to distributing them wisely
Estate Planning Phases

1. Build estate through savings, investment and insurance

2. Ensure that your estate is distributed as you wish after your death
   - If married: consider needs of spouse
   - If single: financial affairs in order for beneficiaries
   - Make sure important documents are accessible, understandable, and legally proper
Distinguish Among Various Types of Wills and Trusts

**Wills**

- Specifies the disposition of property after death
- Have an attorney draft your will to avoid difficulties
- A standard **will** can cost on average between $300-$400
Intestate and Probate

• Intestate
  • You die without a will
  • The state distributes your assets
  • May mean the state will decide on a guardian for your children
  • Very complicated if a “blended” family

• Probate
  • Probate court generally validates wills and makes sure your debts are paid
  • Expensive, lengthy, and public
Retirement and Estate Planning Overview

Will Formats

- **Holographic Will**
  - Will that you write, date and sign, entirely in your handwriting
  - May not be recognized in some states

- **Formal Will**
  - Usually prepared with attorney’s assistance
  - You must sign and have two witnesses, neither of whom can be beneficiaries
  - **Beneficiary** = person you have named to receive property

- **Statutory Will**
  - A type of formal will on a preprinted form
  - Available from a lawyer or stationery store
  - May include provisions not in the best interest of heirs
Writing Your Will

Selecting an Executor

Executor = person willing and able to execute provisions of someone’s will (can be family member, lawyer, etc.)

Tasks may include:

• Preparing an inventory of assets
• Collecting any money due and paying off debts
• File all income and estate tax returns
• Decisions about investing or selling assets to pay off debts or provide income
• Distribute the estate and make financial accounting to beneficiaries

Selecting a Guardian

Guardian = person who assumes responsibility for providing the children with personal care and managing the estate for them
Altering or Rewriting Your Will

• Reasons to Review Your Will:
  • You move to a new state with different laws
  • You have sold property mentioned in the will
  • The size and composition of your estate has changed
  • You have married, divorced or remarried
  • Potential heirs born or died

• Adding a Codicil
  • Document that explains, adds or deletes provisions in your existing will
Living Will

- Allows you to specify whether or not to be kept on artificial life support
  - “Do Not Resuscitate” (DNR)
- May also appoint someone to make health care decisions on your behalf in case you are unable to do so
Power of Attorney

• Power of Attorney
  • Legal document authorizing someone to legally act on your behalf if you become seriously ill or injured (until they revoke it or die)

• Health Care Power of Attorney
  • Combines a living will and power of attorney for use in making health-related decisions
Letter of Last Instruction

- Not legally binding
- Provides heirs with valuable information
- Could include:
  - Funeral/memorial preferences
  - Names of people to be notified of your death
  - Location of bank accounts, safe deposit box
  - Assets and debts
  - Social Security number
  - Disposition of personal effects
Trusts

- **Legal arrangement through which trustee holds your assets for your benefit or that of beneficiaries**
  - Trustee may be an individual or an institution

- **Benefits of Trusts:**
  - Avoid probate; transfer assets immediately
  - Free you from managing assets
  - Provide income for a surviving spouse

- **Revocable Trust**
  - You retain the right to end the trust or change its terms during your lifetime.
  - May avoid the lengthy probate process
  - Does not provide shelter from federal or state estate taxes

- **Irrevocable Trust**
  - You cannot change the terms once instituted
  - Used to reduce estate taxes
  - Avoids probate

- **Living Trust**
  - "*Inter vivos trust*"; in effect while you are alive

- **Testamentary Trust**
  - Established by your will; takes effect after death
Taxes And Estate Planning

- **Estate Taxes**
  - Federal tax on value of property at death
  - Tax on fair market value
  - No filing required until exceeding $11.4 million in 2019

- **Estate and Trust Federal Income Taxes**
  - Estates and certain trusts must file tax returns
  - Trusts and estates must pay quarterly estimated taxes

- **Inheritance Taxes**
  - Tax on property left by a person in their will
  - Imposed by states
  - 4 to 10% on average

- **Gift Taxes**
  - Tax on gifts given by one person to another in a single year
  - Imposed by both state and federal governments
 RETIRED PAY
Reserve Component

SSG Anthony Kline
anthony.l.kline2.mil@mail.mil
614-336-7277 (DSN 346)
Reserve Component Retirement Overview

Army Application

• Submit Application to the Human Resources Command, Ft Knox, KY

US Army Human Resource Center of Excellence

ATTN: AHRC-PDR-RCR

1600 Spearhead Division Ave Dept. 420
Fort Knox, KY  40122-5402

• Submit to HRC nine (9) months prior to retirement date
Application Documents

• DD Form 108 – Application for Retired Pay Benefits
• DD Form 2656 – Data for Payment of Retired Personnel
• Notification of Eligibility for Retired Pay (NOE) (NGB Form 23D or equivalent)
• NGB Form 23B – ARNG Retirement Points History Statement
• Order of Transfer to the Retired Reserve
Application Documents (Continued)

• DD Form 2656-5 – Survivor Benefit Plan Election Certificate (Or DD 1883)

• DD Form 2656-6 – Survivor Benefit Plan Election Change Certificate (If applicable)

• SF 1199A – Direct Deposit Authorization

• DD Forms 214 – Certificate of Release or Discharge From Active Duty

• NGB Forms 22 – Report of Separation and Record of Service
Air Application

• Submit to ARPC
• HQ ARPC/DPTTR
  18420 E Silvercreek Ave BLDG 390 MS68
  Buckley AFB, CO 80011-9502
• Fax: 478-327-2215
Reserve Component Retirement Overview

Application Documents

• DD Form 2656 – Data for Payment of Retired Personnel
• ARPC Form 83
Reduced Eligibility Age

- Effective 28 Jan 2008
- For Mobilized Service on or after 29 Jan 2008
- Mobilized under 10 USC 12301(a), 12301(d), 12302, 12304
- National Emergency declared by the President or Congress
- Must still complete 20 years of qualifying service
- Eligibility for health care remains at age 60
- Eligibility age may not be reduced below age 50
Reduced Eligibility Age
(Continued)

• AD for a National Emergency under 32 USC 502(f)

• Examples
  • Secure US Airports following an attack
  • To Assist in the aftermath of a hurricane
  • To Assist in securing borders (Homeland Def.)
  • Support a National Special Security Event
Reduced Eligibility Age (Continued)

- NOT creditable for reducing eligibility age
  - Member of a regular component
  - Active Guard Reserve (AGR)
  - Medical treatment, evaluation, etc. (12301(h))
  - Annual tour (12301(b))
TRICARE

- TRICARE Retired Reserve (dollars based on 2017)
  - Member of Retired Reserve eligible for non-regular (RC) retired pay
  - Under Age 60
  - Not eligible for, or enrolled in, the FEHB program
  - Outpatient deductible - $150 Ind/$300 Family
  - Cost share – 25% Standard/20% Extra (after deductible)
- Monthly Premium (Two months premium w/enrollment)
  - TRR Member Only – $402.81
  - TRR Member and Family - $1013.36
Reserve Component Retirement Overview

TRICARE Program Options

• TRICARE Select
• TRICARE Prime
• TRICARE For Life
• TRICARE Pharmacy Program
• TRICARE Dental Program
TRICARE

- TRICARE Select
  - Non-network providers will have a 25% cost share associated with services
  - Network providers will only have a copay
  - Over age 60 receiving retired pay
  - No up front cost
  - Outpatient deductible - $150 Indiv/$300 Family
TRICARE

- TRICARE Prime
  - Over age 60 receiving retired pay
  - Use network providers
  - Co-pay based on type of service
  - Must enroll NLT 20th day of month prior to start date
  - Annual Enrollment Fee (Applied to catastrophic cap)
    - Individual - $282.60
    - Family - $565.20
TRICARE

- TRICARE for Life
  - Over age 65
  - Medicare eligible
  - Must be eligible for Medicare Part A (if declined for part A; coverage will revert to TRICARE Standard)
  - Must enroll in Medicare Part B
    - Premium – $134 per month (2017)
    - May be higher depending on income
  - TRICARE is the second payer to Medicare

Reserve Component Retirement Overview
TRICARE

• TRICARE Pharmacy Program
  • Available to everyone with TRICARE eligibility
  • Four Options
    • Military Treatment Facility (MTF)
    • TRICARE Pharmacy Home Delivery
    • Retail Network Pharmacy
    • Non-Network Pharmacy
  • Cost share - $10, $24, $50 (based on 2017)
TRICARE

- TRICARE Retiree Dental Program
  - Retirees and their family members
  - Survivors
- Premium for this zip code area (2017)
  - Single - $31.38
  - Two Person – $62.30
  - Family (3 or more) – $112.42
- Must pay two months premium on enrollment
TRICARE

• TRICARE Retiree Dental Program (Cont.)
  • Available to Retirees and “Gray-area” Retirees
  • Cost share based on service provided
  • Cost share may be higher when using non-network providers
  • Must enroll within 120 days of retirement to receive full benefits for first year
FEDVIP Dental and Vision Coverage

• The TRICARE Retiree Dental Program (TRDP) ends on Dec. 31, 2018. The last day to enroll in TRDP is Oct. 31, 2018

• Beginning in 2019, dental and vision plans will be available through the Office of Personnel Management’s Federal Dental and Vision Insurance Program (FEDVIP).
  • Vision: Eligible TRICARE beneficiaries will have four vision plan options
  • Dental: FEDVIP Dental will replace the current TRICARE Retiree Dental Program (TRDP). If you currently have TRDP, you will need to enroll in FEDVIP Dental to have dental coverage in 2019
  • If you’re eligible, the first opportunity to enroll in FEDVIP is during the 2018 Open Season. Coverage will start Jan. 1, 2019. For more details on the new coverage options, visit TRICARE.benefeds.com and sign up for email updates
Reserve Component Retirement Overview

TRICARE Regions

West Region
Health Net Federal Services, Inc.
1-877-TRICARE
www.healthnetfederalservices.com

East Region
Humana Military Healthcare Services, Inc.
1-800-444-5445
www.humanamilitary.com
QUESTIONS?
Mr. Don French  - Benefits Supervisor  
614-336-7388  donald.e.french2.civ@mail.mil

Mrs. Tara Bennett – Benefits Specialist (Army Retirements/PAA POC)  
614-336-7389  tara.l.bennett6.civ@mail.mil

Mrs. Brittany Melton – Benefits Specialist (Air Retirements)  
614-336-7438  brittany.c.melton2.civ@mail.mil

Mr. Travis Nickles – Benefits Specialist (Primary Air/Awards POC)  
614-336-7016  travis.m.nickles.mil@mail.mil

Mr. Jacob Curry – Benefits Specialist (Primary Army/Awards/Unemployment)  
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