

# WHAT DO **YOU** NEED TO KNOW

## ABOUT RETIREMENT?

### *TX FSA Numbers* (as of April, 2018):

606 employees covered by retirement systems

At the end of THIS year 156 will be eligible to retire -- 25.7%

In 5 years (end of 2023) 300 will be eligible -- 49.5%

### *Retirement – What Is It:*

The transition from the income/benefits of working for an employer, to receiving income/benefits earned from a previous period of employment. Retirement itself is a benefit which you must apply for (is not automatic). Two aspects of this transition:

- 1). daily lifestyle and activities;
- 2). financial strategy changes from “Accumulation” to “Drawing Upon” math and mindset

defined benefits retirement (CSRS and FERS) - Slide 2 - provides predictable retirement benefits based on formulas and employment variables (amount of service, age, salary, etc). FERS (K), FERS-RAE (KR), and FERS-FRAE (KF) all have the identical retirement benefits, but the payroll withholdings are different.

defined contributions retirement - employee determines amount and types of contributions (within limitations of IRS and employer) during employment. Retirement benefits are dependent on individual's contributions and rate of return on investments (risk). (TSP, 401Ks, 403Bs, etc)

annuity – 2 totally DIFFERENT meanings:

- 1). a fixed sum of money paid to someone each month or year, typically for the rest of their life (CSRS and FERS monthly payments). For a defined benefits retirement, not dependent on investment rates of returns or market.
- 2). a contract between you and an insurance company in which you make a lump sum payment or series of payments and in return obtain regular disbursements, typically for the rest of their life.

Common Sources of retirement income for Federal Employees can include

CSRS  
FERS  
SS  
TSP  
other employment  
other income

### *Process and Timeline -*

- Preferably 1-2 years lead time, when you have a potential retirement date in mind, your Servicing Personnel Office SPO (currently the SWA-RSO HR Team) will work with you in preparing a Retirement Calculator projection. You will need to provide SPO a Social Security Statement obtained online from the Social Security Administration, which shows your earnings history and their projected payments.
- Ideally 60-90 days lead time notify your SPO of your decision to retire. Your retirement application package will be prepared and sent to you for finalization and signatures, after which you return to SPO. Lead time can be less, but can delay OPMs start of retirement payments to you.
- Employee will need to notify their supervisor of their decision, and jointly prepare/submit/sign an SF-52 for the retirement personnel action to separate from employment. Business courtesy is a minimum of 2-week notice.
- SPO forwards package to NFC, who adds payroll documentation and forwards to OPM.
- After separation date, timekeeper and supervisor submits lump sum leave payment documents to SPO. Payments are possible with last salary payment but typically within 30 days.
- OPM starts interim payments (an estimated advance of 65-70% of the actual annuity) usually in 30-60 days following separation date.
- OPMs final approval and acceptance of the retirement is called Final Adjudication. This date is typically 3-4 months after separation, but can be longer when history is complicated, or when their backlog dictates. Upon Final Adjudication, interim payments are made accurate with an additional disbursement, and FERS Supplemental Annuity payments start and are retroactively paid to date of retirement.

### *Importance of Age and Years of Service:*

2 independent retirement determinations use age and years of creditable service (slide 5)

#### ELIGIBILITY AND ANNUITY CALCULATION

- Eligibility (when can you retire) (this service time excludes Sick Leave)
  - Optional also called Voluntary (slide 19)
    - CSRS = at least 55 yrs old + 30 yrs service; 60 + 20; 62 + 5
    - FERS = at least MRA + 30; 60 + 20; 62 + 5; MRA + 10 (MRA slide 20)
  - Disability
  - Discontinued Service (slide 21 and 22)
  - Early Out (slide 21 and 22)
  - Deferred (former employee with at least 5 years of service) when reach age 62
- CSRS Annuity Calculation (estimated gross with possible reductions)
  - $(\text{Years of creditable service} - 2) \times 2.0\% = \% \text{ of hi 3 avg annual salary}$
- FERS Annuity Calculation (estimated gross with possible reductions)
  - Regular formula is: years of creditable service  $\times 1.0\% = \% \text{ of hi 3 avg annual salary}$
  - If you retire at age 62 or older, and have at least 20 yrs of creditable service, replace the 1.0% with 1.1%
- FERS Supplemental Annuity – an additional FERS monthly payment for those eligible and who retire prior to age 62, to help cover the Social Security (attributable to the civil service employment) that cannot start until age 62.

- Ends at age 62
  - Will almost always be less than projected SS payments, even if 100% of SS history is attributable to the civil service
  - Are NOT included in interim payments by OPM
  - Is subject to Outside Earnings Limitation the same as SS
- Deposit/Redeposit for creditable service (slides 7-15). Military deposits must be made prior to separation. Won't discuss here.
  - Sick Leave credit – (slides 16 -17) after becoming eligible, sick leave is converted to calendar days of credit (not 8 hour workdays) and added to your actual service to determine years, months, and days of credit for annuity calculation. Days are dropped and annuity is calculated on years and months. But don't overstress on this. Example:

**FERS employee with HI 3 salary of \$75,000/yr**

Additional year of service credit = 1% = additional \$750/yr in annuity

Additional month of service credit = 1/12 of 1% = additional \$62.50/yr in annuity

**Additional month of service credit = 1/12 of 1/12 of 1% = additional \$5.20/mo in annuity**

**"Best" dates to retire.** (slide 3 but is misleading). Once eligible, can select any day of any month to retire. Annuity starts on the first day of the month following separation. Exception for CSRSers: you can also go the first 3 days of a month and the annuity will start the next day. Some people erroneously think it is required to retire at the end of the pay period. Some people erroneously think it beneficial to reach their anniversary date.

**Survivor Benefits** – (slide 37-39) optional, but surviving spouse must receive surviving spouse annuity in order to continue FEHB coverage. Won't discuss here.

**FEHB** – premiums are the same as an employee, but quoted monthly instead of biweekly. Retiree is only required to be enrolled in the FEHB program for the last 5 years – not a specific type of plan, i.e, self or family – to be eligible to carry it into retirement. FEHB doesn't have a policy specifically as a supplement to Medicare. Covered retirees have the same open season as employees each fall.

**MEDICARE is optional** – but it is NOT recommended to drop FEHB and rely on Medicare

- at age 65, enroll in Part A. No cost as retiree - you have paid for it with your 1.45% HIT payroll deduction as an employee.
- At age 65 (or when you retire if older than 65), consider and decide and enroll or not in Part B. Most of our retirees will pay \$134 per month for this, some with higher income will pay \$187.50. Monthly cost penalty for late enrollments.
- Part C and D – most employees/retirees do not elect if covered by FEHB

**FEGLI** – for many employees approaching retirement, their FEGLI options are the most confusing aspect of their retirement application. Find your current coverage from eOPF, NFC EPP, or your personal file. Go to OPM's FEGLI Calculator on internet to load your coverage and see your options/cost/coverage over time – both as an employee and retiree. Makes it very clear.

**Disability & Death in Service** – both are retirement system benefits available. We work individually with the employee/family should either of these events occur, but won't discuss here.



**TSP** - Approx 30-40 days following your separation date, TSP will have record that your employment has terminated. After this, you may initiate withdrawals or rollovers directly with them. Or you may leave your money intact, continuing to grow (OR SHRINK) according to the fund's performance. You may still move from fund to fund, but cannot add any money. The IRS mandates Required Minimum Distributions (RMDs) starting the year you turn age 70 ½ unless you are still working for the Federal Govt. Withdrawal options will be changing due to the TSP Modernization Act so look at this when you are contemplating a withdrawal(s). Do not underestimate the power of compounding!!! **Younger employees** must look at the chart on page 5 showing 5 ways to retire a millionaire, older employees don't look at this because it will make you sick.

**Social Security** - Starting at age 62, all persons with sufficient working history (minimum 10 years) can apply for Social Security retirement payments, with the Social Security Administration.

Your SS Normal Retirement Age (NRA) will range from 65 to 67 (depending on your year of birth). SS monthly payments are benchmarked/calculated (100%) to start at that age. You can apply to start your monthly payments as early as age 62, with a reduction, or as late as 70 with an increase. So your payments could range from 70-132% depending on your NRA and age of starting payments. Also if you are still working, the additional earnings history can increase your SS payments.

You can receive SS while still working. However, SS will withhold \$1 for every \$2 of earnings that exceeds \$17,400 if you are below your NRA and work in 2018. You are allowed a higher limit the year you attain your NRA. And after you reach your NRA there is no impact/reduction.

Other potential SS provisions are:

- Government Pension Offset - If you receive a pension from a government job in which you did not pay Social Security taxes (typically CSRS or TRS), some or all of your Social Security spouse's, widow's, or widower's benefit may be offset due to receipt of that pension. Can reduce SS to zero.
- Windfall Elimination Provision - can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security taxes **and** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes. Will not reduce SS to zero.

**Retirement Calculator** – through ConnectHR (<https://usdaffas.connecthr.com/>) we have an application available to do the calculation of retirement benefits. Providing your Servicing Personnel Office with a copy of your Social Security Statement allows us to load your history and improve the accuracy. Will estimate your monthly payments for CSRS, FERS, SS, TSP, based on your history and retirement date, surviving spouse election, FEHB, and FEGLI. Dollars at retirement (if soon) are very accurate but still estimates. Projections into the future get cloudy with built-in assumptions on the growth of rate of return, inflation, TSP projections, etc.

**Retirement COLAs (for the FERS or CSRS monthly annuity)** – Slides 43-44, won't discuss here though.



**ASSUMPTION 10% AVERAGE**

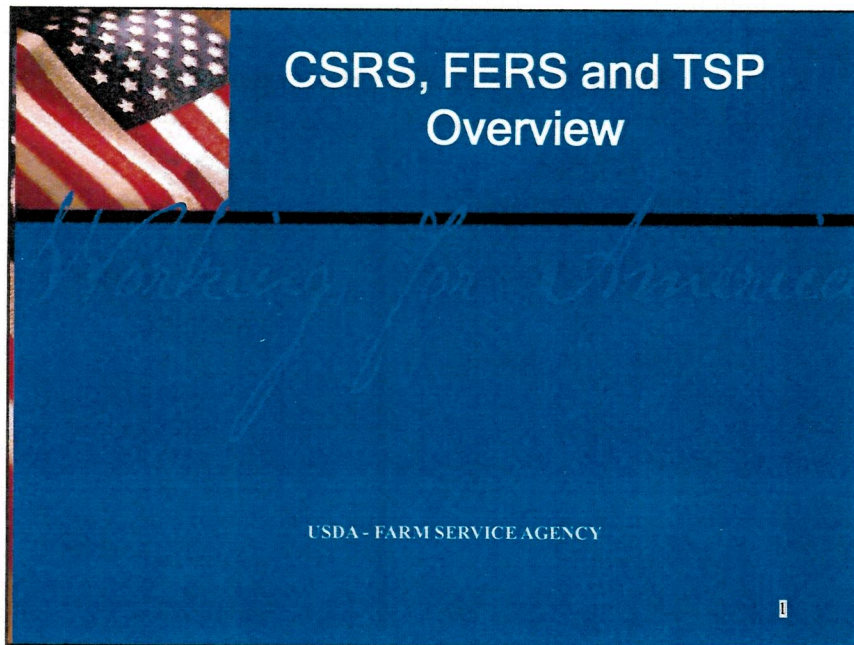
**COMPOUNDED RATE OF RETURN**

**Early Start : How \$6,750 Grows To Over \$1 Million**

This table shows four ways to accumulate approximately \$1,000,000 by age 65. Investor A contributes \$2,000 at the beginning of each year for forty years (ages 26-65); Investor B, \$2,000 a year for only seven years (19-25); Investor C,

\$2,000 a year for only five years (age 14-18); and Investor D smaller sums still from age 8 through 13. Finally, Investor E shows the growth achieved by making all of these contributions at every age from 8 to 65.

INVESTOR A			INVESTOR B		INVESTOR C		INVESTOR D		INVESTOR E	
Age	Contri- bution	Year-End Value	Contri- bution	Year-End Value	Contri- bution	Year-End Value	Contri- bution	Year-End Value	Contri- bution	Year-End Value
8	-0-	-0-	-0-	-0-	-0-	-0-	500	550	500	550
9	-0-	-0-	-0-	-0-	-0-	-0-	750	1,430	750	1,430
10	-0-	-0-	-0-	-0-	-0-	-0-	1,000	2,673	1,000	2,673
11	-0-	-0-	-0-	-0-	-0-	-0-	1,250	4,315	1,250	4,315
12	-0-	-0-	-0-	-0-	-0-	-0-	1,500	6,397	1,500	6,397
13	-0-	-0-	-0-	-0-	-0-	-0-	1,750	8,962	1,750	8,962
14	-0-	-0-	-0-	-0-	2,000	2,200	-0-	9,858	2,000	12,058
15	-0-	-0-	-0-	-0-	2,000	4,620	-0-	10,843	2,000	15,463
16	-0-	-0-	-0-	-0-	2,000	7,282	-0-	11,928	2,000	19,210
17	-0-	-0-	-0-	-0-	2,000	10,210	-0-	13,121	2,000	23,331
18	-0-	-0-	-0-	-0-	2,000	13,431	-0-	14,433	2,000	27,864
19	-0-	-0-	2,000	2,200	-0-	14,774	-0-	15,876	2,000	32,850
20	-0-	-0-	2,000	4,620	-0-	16,252	-0-	17,463	2,000	38,335
21	-0-	-0-	2,000	7,282	-0-	17,877	-0-	19,210	2,000	44,369
22	-0-	-0-	2,000	10,210	-0-	19,665	-0-	21,131	2,000	51,006
23	-0-	-0-	2,000	13,431	-0-	21,631	-0-	23,244	2,000	58,306
24	-0-	-0-	2,000	16,974	-0-	23,794	-0-	25,568	2,000	66,337
25	-0-	-0-	2,000	20,872	-0-	26,174	-0-	28,125	2,000	75,170
26	2,000	2,200	-0-	22,959	-0-	28,791	-0-	30,938	2,000	84,888
27	2,000	4,620	-0-	25,255	-0-	31,670	-0-	34,031	2,000	95,576
28	2,000	7,282	-0-	27,780	-0-	34,837	-0-	37,434	2,000	107,334
29	2,000	10,210	-0-	30,558	-0-	38,321	-0-	41,178	2,000	120,267
30	2,000	13,431	-0-	33,614	-0-	42,153	-0-	45,296	2,000	134,494
31	2,000	16,974	-0-	36,976	-0-	46,368	-0-	49,825	2,000	150,143
32	2,000	20,872	-0-	40,673	-0-	51,005	-0-	54,808	2,000	167,358
33	2,000	25,159	-0-	44,741	-0-	56,106	-0-	60,289	2,000	186,294
34	2,000	29,875	-0-	49,215	-0-	61,716	-0-	66,317	2,000	207,123
35	2,000	35,062	-0-	54,136	-0-	67,888	-0-	72,949	2,000	230,035
36	2,000	40,769	-0-	59,550	-0-	74,676	-0-	80,244	2,000	255,239
37	2,000	47,045	-0-	65,505	-0-	82,144	-0-	88,269	2,000	282,963
38	2,000	53,950	-0-	72,055	-0-	90,359	-0-	97,095	2,000	313,459
39	2,000	61,545	-0-	79,261	-0-	99,394	-0-	106,805	2,000	347,005
40	2,000	69,899	-0-	87,187	-0-	109,334	-0-	117,485	2,000	383,905
41	2,000	79,089	-0-	95,905	-0-	120,267	-0-	129,234	2,000	424,496
42	2,000	89,198	-0-	105,496	-0-	132,294	-0-	142,157	2,000	469,145
43	2,000	100,318	-0-	116,045	-0-	145,523	-0-	156,373	2,000	518,269
44	2,000	112,550	-0-	127,650	-0-	160,076	-0-	172,010	2,000	572,286
45	2,000	126,005	-0-	140,415	-0-	176,083	-0-	189,211	2,000	631,714
46	2,000	140,805	-0-	154,456	-0-	193,692	-0-	208,133	2,000	697,086
47	2,000	157,086	-0-	169,902	-0-	213,061	-0-	228,946	2,000	768,995
48	2,000	174,995	-0-	186,892	-0-	234,367	-0-	251,840	2,000	848,094
49	2,000	194,694	-0-	205,581	-0-	257,803	-0-	277,024	2,000	935,103
50	2,000	216,364	-0-	226,140	-0-	283,358	-0-	304,727	2,000	1,030,814
51	2,000	240,200	-0-	248,754	-0-	311,942	-0-	335,209	2,000	1,136,095
52	2,000	266,420	-0-	273,629	-0-	343,136	-0-	368,719	2,000	1,251,905
53	2,000	295,262	-0-	300,992	-0-	377,450	-0-	405,591	2,000	1,379,295
54	2,000	326,988	-0-	331,091	-0-	415,195	-0-	446,150	2,000	1,519,425
55	2,000	361,887	-0-	364,200	-0-	456,715	-0-	490,766	2,000	1,673,567
56	2,000	400,276	-0-	400,620	-0-	502,386	-0-	539,842	2,000	1,843,124
57	2,000	442,503	-0-	440,682	-0-	552,625	-0-	593,826	2,000	2,029,636
58	2,000	488,953	-0-	484,750	-0-	607,887	-0-	653,209	2,000	2,234,800
59	2,000	540,049	-0-	533,225	-0-	668,676	-0-	718,530	2,000	2,460,480
60	2,000	596,254	-0-	586,548	-0-	735,543	-0-	790,383	2,000	2,708,728
61	2,000	658,079	-0-	645,203	-0-	809,098	-0-	869,421	2,000	2,981,800
62	2,000	726,087	-0-	709,723	-0-	890,007	-0-	956,363	2,000	3,282,180
63	2,000	800,896	-0-	780,695	-0-	979,008	-0-	1,052,000	2,000	3,612,598
64	2,000	883,185	-0-	858,765	-0-	1,076,909	-0-	1,157,200	2,000	3,976,058
65	2,000	973,704	-0-	944,641	-0-	1,184,600	-0-	1,272,930	2,000	4,375,864
Less Total Invested:		(80,000)	(14,000)		(10,000)		(6,750)		(110,750)	
Equals Net Earnings:		893,704	930,641		1,174,600		1,266,170		4,265,114	
Money Grew:		11-fold	66-fold		117-fold		188-fold		38-fold	



**Retirement System**

- Civil Service Retirement System (CSRS)
- Hired on or after 01/01/84
- CSRS Offset (CSRS and FICA coverage)
- Federal Employees Retirement System
- Hired on or after 1/01/2013 – FERS-RAE
- Hired on or after 1/01/2014 – FERS-FRAE

2

This slide is titled 'Retirement System' in bold black text. It features a vertical strip of the American flag on the left side. The content is a bulleted list of retirement systems and hiring dates. The number '2' is in the bottom right corner.

Selecting A Retirement Date	
<b>CSRS</b> <b>CSRS Offset</b> Last day of the month or 1 <sup>st</sup> 2 <sup>nd</sup> 3 <sup>rd</sup>	<b>FERS</b> Last day of the month

3

Retirement Application	
<b>CSRS</b> <b>CSRS Offset</b> Application for Immediate Retirement SF 2801	<b>FERS</b> Application for Immediate Retirement SF 3107

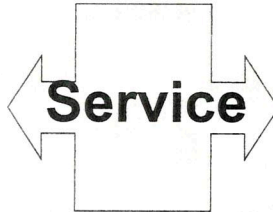
4



## Crediting Service



**WHEN** you can  
retire



**HOW MUCH**  
you'll get

5

## Amount of Creditable Service

Federal Civilian Service is normally credited  
from the beginning to ending date of an  
appointment

### Exceptions

LWOP

WAE

Seasonal WAE

6



## Crediting Military Service

- Honorable, Active Duty Service
- Military Retired Pay Considerations
- Post 56 Considerations



7



## Crediting Post-1956 Military Service


### CSRS

Military deposit  
equals 7% of base  
pay plus interest

### FERS

Military deposit  
equals 3% of base  
pay plus interest

8




## **Civilian Service Deposits**

**CSRS nondeduction service performed prior to 10-01-82**

- Creditable for eligibility and computation purposes, regardless of whether or not a deposit for the service is paid
- Annuity will be reduced by 10% of deposit amount owed

9




## **Civilian Service Deposits**

**CSRS nondeduction service performed on or after 10-01-82**

- Creditable for eligibility, regardless of whether or not a deposit for the service is paid
- Creditable for computation only if a deposit is paid


10






Civilian Service Deposits
<p><b>FERS nondeduction service performed prior to 01-01-89</b></p> <ul style="list-style-type: none"><li>• Creditable for eligibility and computation purposes only if a deposit is paid</li><li>• Service on or after 01-01-89 is generally not creditable and a deposit cannot be made</li></ul>

11




Civilian Service Deposits	
<p><b>CSRS</b></p> <p>Deposit equals 7% of earnings plus interest</p>	<p><b>FERS</b></p> <p>Deposit equals 1.3% of earnings plus interest</p>

12




<b>Refunded Service</b>
<p><b>CSRS refunded service ending before 3-01-1991</b></p> <ul style="list-style-type: none"><li>• Creditable for eligibility and computation purposes, regardless of whether or not a redeposit for the service is paid</li><li>• Annuity will be subject to an actuarial reduction</li></ul>

13



<b>Refunded Service</b>
<p><b>CSRS refunded service ending on or after 3-01-1991</b></p> <ul style="list-style-type: none"><li>• Generally creditable for eligibility, regardless of whether or not a redeposit is paid</li><li>• Creditable for computation only if a redeposit is paid</li></ul>

14




## Refunded Service

### FERS

- Refunded service is not credible for eligibility or computation purposes unless redeposit is paid

15



## Crediting Unused Sick Leave Under

CSRS	FERS
<ul style="list-style-type: none"><li>• 100% of Sick leave may be added to compute an immediate annuity</li><li>• Not creditable for establishing retirement eligibility</li></ul>	<ul style="list-style-type: none"><li>• 100% of Sick leave may be added to compute an immediate annuity</li><li>• Not creditable for establishing retirement eligibility</li></ul>

16





## **Crediting FERS Unused Sick Leave**

**If you have a CSRS Component  
credit is allowed for the lesser of:**

Sick Leave  
Balance



FERS  
Election

**vs**

Sick Leave  
Balance



Retirement

17



## **Types Of Retirements**

**Regular/Optional**

**Early Retirement**

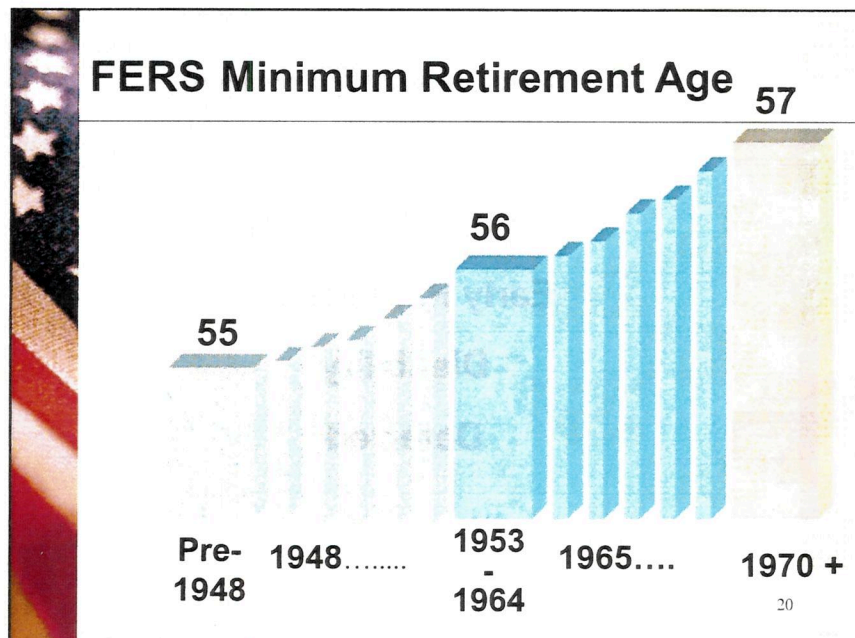
**Disability**

**Deferred**

18

Age and Service Requirements for Regular Retirement				
CSRS		FERS		
<u>Age</u>	<u>Service</u>	<u>Age</u>	<u>Service</u>	
55	30 years	MRA	30 years	
60	20 years	60	20 years	
62	5 years	62	5 years	
		MRA	10 years	

19



20



## Age and Service Requirements for Early Retirement

For both CSRS and FERS

<u>Age</u>	<u>Service</u>
Any	25 years
50	20 years

21



## Additional Requirements for Early Retirement

- Early Retirement Authority, or
- Involuntary separation (except for misconduct or delinquency)

22





## How Much Will I Get?

### Annuity Computation



23

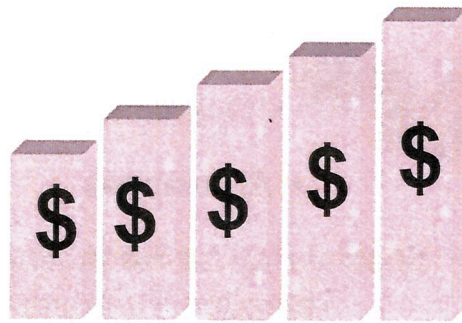


## Basic Annuity

- Annuity is based on a percentage of the High 3 average salary
- Percentage is determined by the amount of creditable service and the appropriate annuity formula

24

## High-3 Average Salary



3 Consecutive Years

25

## Basic Pay Includes:



- Regular Pay
- Locality Pay
- Night Differential for Wage Employees

26



## Basic Pay Does Not Include:



- Bonuses
- Overtime
- Allowances
- Special Pay for Recruiting and Retention Purposes

27



## General Formula

### CSRS

$1.50\% \times 5 \text{ years} +$   
 $1.75\% \times 5 \text{ years} +$   
 $2.00\% \times \text{service over}$   
 $10 \text{ years}$


**Retirement Factor**

### FERS

$1\% \text{ or } 1.1\% \times$   
 $\text{years of service}$

**Retirement Factor**

28



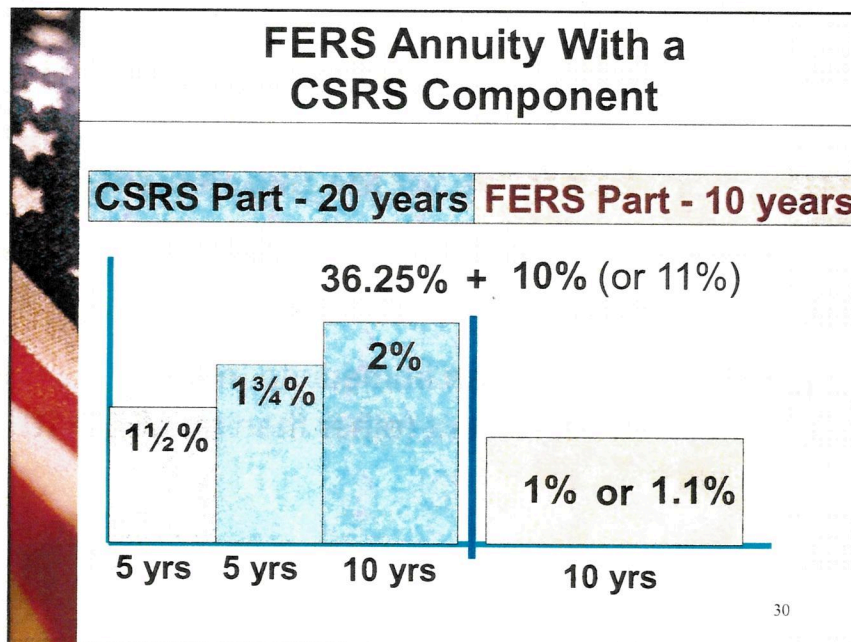
## General Formula

30 Years Total Service

$1.5\% \times 5 = 7.50\%$		$1\% \times 30 = 30\%$
$1.75\% \times 5 = 8.75\%$		or
$2.0\% \times 20 = \underline{40.00\%}$		$1.1\% \times 30 = 33\%$
56.25%		

Retirement Factor

29







## **FERS Annuity Supplement**

- Substitutes for the Social Security part of the total FERS benefit until age 62
- Approximates the Social Security benefit earned under FERS
- Subject to earnings test

31

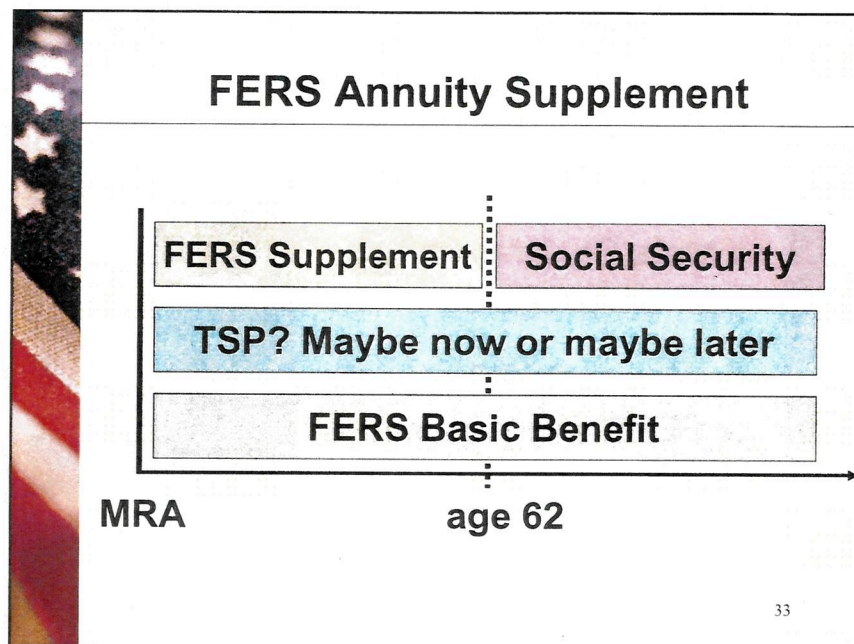


## **FERS Annuity Supplement**

### **To be eligible for the Supplement**

- Employee must have 1 full calendar year of deductions under FERS, and
- Must qualify for an immediate, non-disability retirement (other than an MRA+10 retirement)

32



### Reductions Applied to Basic Annuity

CSRS	FERS
• Age for early retirement	• CSRS Age for early retirement
• Non-Deduction Service	• MRA + 10 Age
• Survivor Annuity Election	• Survivor Annuity Election
• Refunded Service	
• CSRS Offset	

34



## CSRS Age Reduction for Early Retirement

- Permanent Reduction
- Equals 2% for each full year under age 55
- Applies to CSRS annuities or FERS annuities with a CSRS component



35



## FERS Age Reduction

- Applies if the employee retires on an MRA + 10 retirement
- Deferred or Postponed retirement based on MRA+10 and employee begins receiving annuity before reduction is eliminated
- Permanent Reduction Equals 5% for each full year under age 62
- Supplement is not subject to COLAs

36



## Reduction for Survivor Annuity Election

### Applies if an employee

- Elects a survivor annuity for a spouse or former spouse
- Has a former spouse entitled to a survivor annuity based on a valid court order, and/or
- Elects to provide someone with an insurable interest annuity

37



## Survivor Annuity Reduction

### CSRS

$2 \frac{1}{2} \% \times \$3600$   
+  
 $10 \% \times \text{Amount of base in excess of } \$3600$

**Survivor receives 55% of the base elected by retiree**

### FERS

**Full survivor annuity (50%)**  
10% of annuity

**Partial survivor annuity (25%)**  
5% of annuity

38





## Insurable Interest

- A person who has a reasonable expectancy of financial benefit in the continued life of the employee
- Reduction to provide a survivor annuity to someone with an insurable interest ranges between 10 and 40 %



39



## Other Reductions

### CSRS Offset

Social Security benefit  
minus  
Social Security benefit computed without  
your CSRS Offset service

40

Maximum Annuity	
<b>CSRS</b> <ul style="list-style-type: none"> <li>• 80% of the high-3 average salary</li> <li>• Equivalent to 41yrs &amp; 11months service</li> <li>• Limit may be exceeded with unused sick leave credits</li> </ul>	<b>FERS</b> <p>There is no maximum annuity under FERS</p>

41

Returning to Government Work After Retirement	
<p>Generally, annuity continues and salary is offset by amount of annuity</p>	
<b>Exceptions (CSRS)</b> <ul style="list-style-type: none"> <li>• Disability annuitants</li> <li>• Dual comp waivers</li> <li>• DSR</li> <li>• Presidential appointments</li> </ul>	<b>Exceptions (FERS)</b> <ul style="list-style-type: none"> <li>• Disability annuitants</li> <li>• Dual comp waivers</li> </ul>

42

Cost of Living Adjustments (COLAS)	
CSRS	FERS
<ul style="list-style-type: none"> <li>• Begins the first December after retirement</li> <li>• First COLA is prorated</li> </ul>	<ul style="list-style-type: none"> <li>• Generally not applied until the December after age 62</li> </ul> <p><b>Exceptions</b></p> <ul style="list-style-type: none"> <li>• Disability</li> </ul>

43

Cost of Living Adjustments (COLAS)	
CSRS	FERS
<p>Equals the percent change in the CPI</p>	<p>If the percent change in the CPI is:</p> <ul style="list-style-type: none"> <li>• 0-2% the COLA equals the CPI increase</li> <li>• 2-3% the COLA equals 2%</li> <li>• Over 3% the COLA equals the change in the CPI - 1</li> </ul>

44

# TSP CONTRIBUTIONS

Saving for Retirement



45

## TSP account balance at retirement depends on:

**You choose** when you  
begin to contribute

**You choose** how much you  
will contribute

How long  
you make  
contributions

How  
much you  
contribute

How much  
your balance  
grows

How much  
returns are  
reduced by  
expenses

**You choose** an asset  
allocation strategy

You don't have control  
over the expenses



Make wise decisions today, retire with dignity tomorrow

46



## Contribution Elections

- You can start, stop, change, or resume contributions at any time
  - Elections must be submitted to your agency - TSP cannot process elections to deduct from pay
  - Elections can be expressed in dollars or percentages; traditional and/or Roth
- Electronic submissions are preferred (e.g., Employee Personal Page) Form **TSP-I**/TSP-U-I may also be used
- Elections are effective the first full pay period after receipt by the agency
- Catch-up contributions require a separate TSP election



47

## Contribution sources and limits

### Participant Contributions

**Regular**  
(2018 limit = \$18,500)  
**Traditional and Roth**

\*Annual additions, § 415(c), limit (\$55,000 for 2018)  
• Contributions deducted from Combat Zone Tax Exclusion (CZTE) pay are subject to § 415(c) limits but not § 402(g)

**Catch-Up\***  
(2018 limit = \$6,000)  
**Traditional and Roth**

\*Participants turning age 50 or older in the calendar year may make additional contributions to the TSP

### Agency Contributions (FERS Only)

**Agency Automatic 1%**  
**Always Traditional Only**

**Vesting requirement 2 or 3 years**

**Agency Matching**  
**Always Traditional Only**

**Always Vested**



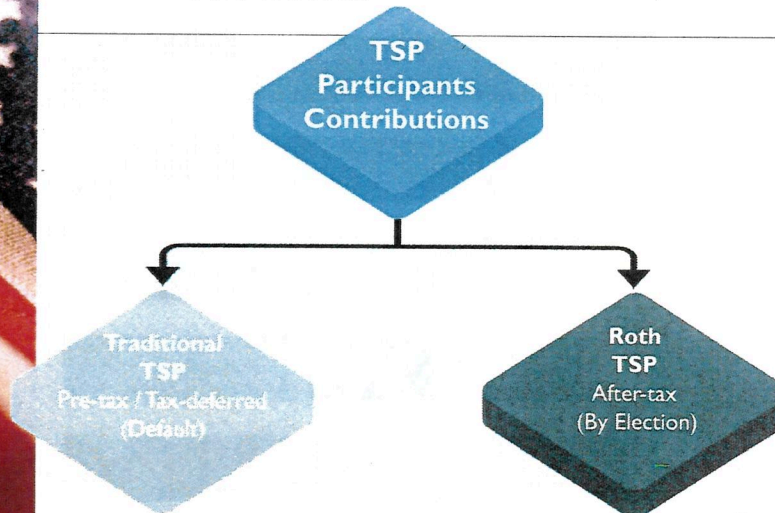
48

## Regular Pay

	Regular Limit \$402(g) (Elective Deferral)	Catch-Up Limit \$414(v) (Eligible every year beginning January 1 of the year turning age 50)
Contribution	<ul style="list-style-type: none"> <li>1% to 100% of basic pay</li> <li>Plus any percentage from incentive, special, and bonus pay</li> </ul>	
Annual Limits	\$18,500 for 2018 <ul style="list-style-type: none"> <li>% only for Uniformed Services</li> <li>Dollar Amount or % for Civilian</li> </ul>	\$6,000 for 2018 <ul style="list-style-type: none"> <li>Separate Payroll Deduction</li> <li>Dollar Amount Only</li> <li>Annual Election</li> </ul>
Tax Treatment	<ul style="list-style-type: none"> <li>Any combination of Traditional &amp; Roth TSP contributions</li> <li>Annual Limit is the combined total of Traditional &amp; Roth TSP contributions</li> </ul>	
Agency Automatic Contribution	1% for FERS, regardless of election (Tax-deferred)	
Agency Match	Maximum 4% for FERS	No Agency Match



## Tax Treatments



## Benefits of Traditional Contributions

- Enhanced eligibility for Retirement Savings Contributions Credit (The Saver's Credit)
- May increase amounts eligible as deductible for certain itemized deductions
- Enhanced ability to contribute to a Roth IRA up to \$5,500 (plus the \$1,000 catch up for Age 50 & older)



51

## Roth TSP Contributions

- Contributions will not reduce Adjusted Gross Income (AGI)
- Federal tax withholding based on taxable income
- Contributions and Qualified Earnings are tax free when withdrawn
- Non-qualified earnings are taxable as ordinary income at future tax brackets when withdrawn
- 10% early withdrawal IRS penalty may apply



52

## Qualified Distributions of Roth Earnings

Qualified Earnings are tax-free when withdrawn; if the following 2 conditions have been met

5 years have passed since January 1<sup>st</sup> of the year of your first Roth TSP contribution

Age 59 ½ or older; or permanently disabled, or deceased



53

## Traditional vs. Roth

	Traditional TSP (Default)	Roth TSP (By election)
<b>Contributions</b>	Pre-tax/ Tax-Deferred*	After-tax*
<b>Paycheck</b>	Contributions are deducted from pay <i>before</i> Federal taxes are withheld <sup>1</sup>	<ul style="list-style-type: none"> <li>Contributions are deducted from pay <i>after</i> Federal taxes are withheld<sup>1</sup></li> <li>Contributions do not reduce current year AGI<sup>2</sup></li> </ul>
<b>Distributions</b>	Contributions and earnings are taxable as ordinary income when withdrawn	<ul style="list-style-type: none"> <li>Contributions have already been taxed and will not be taxed again</li> <li>Earnings are tax free (Qualified Distributions) if:                             <ol style="list-style-type: none"> <li>5 years have passed since Jan 1st of the year you made your first Roth contribution, AND</li> <li>Age 59 1/2 or older, permanently disabled, or deceased</li> </ol> </li> <li>Non-qualified Distributions are subject to ordinary income tax.</li> </ul>



54



## TSP Calculators

<https://www.tsp.gov/PlanningTools/index.html>

Use these calculators to help you plan for a comfortable retirement:



### Calculators

How Much Should I Save (Ballpark Estimate)?

How Much Will My Savings Grow?

How Much Can I Contribute?

Paycheck Estimator

**Contribution Comparison Calculator**

Retirement Income Calculator

TSP Monthly Payment Calculator

Estimate Loan Payments

55

## How does diversification benefit your TSP account?


- Diversification means spreading money among different investments to reduce risk.
  - "Don't put all your eggs in one basket."
- One way to diversify is to allocate your investments among different kinds of assets.
  - Historically, stocks, bonds, and cash have not moved up and down at the same time.
- Factors that may cause one asset class to perform poorly may improve returns for another asset class (and vice versa).



56

See our L Funds on the reverse side

C FUND Common Stock Index Investment Fund	S FUND Small Capitalization Stock Index Investment Fund	I FUND International Stock Index Investment Fund	F FUND Fixed Income Index Investment Fund	G FUND Government Securities Investment Fund
<p><b>What It Is:</b> A fund containing stocks of large and medium-sized U.S. companies</p> <p><b>Benchmark Index:</b> Standard &amp; Poor's 500 Stock Index</p> <p>Potential for high investment returns over the long term</p> <p>Can be volatile depending on stock market performance</p>	<p><b>What It Is:</b> A fund containing stocks of small to medium-sized U.S. companies</p> <p><b>Benchmark Index:</b> Dow Jones U.S. Completion TSM Index</p> <p>Potential for high investment returns over the long term</p> <p>Can be volatile depending on stock market performance</p>	<p><b>What It Is:</b> A fund containing international stocks from more than 26 developed countries</p> <p><b>Benchmark Index:</b> Morgan Stanley Capital International EAFE Stock Index</p> <p>Potential for high investment returns over the long term</p> <p>Can be volatile depending on stock market performance. Returns also depend on the value of the U.S. dollar</p>	<p><b>What It Is:</b> A fund containing Government, corporate, and asset-backed bonds</p> <p><b>Benchmark Index:</b> Bloomberg Barclays U.S. Aggregate Bond Index</p> <p>May earn returns that are higher than money market funds over the long term with relatively low risk</p> <p>Bond prices fall when interest rates rise. Bonds may be repaid early, reducing your returns</p>	<p><b>What It Is:</b> A fund containing Government securities that are specially issued to the TSP</p> <p>Does not lose money; has a consistent but relatively low investment return</p> <p>Your money may not grow enough to meet your retirement needs or outpace inflation</p>

 We offer 5 core funds that you can customize based on your comfort level...  
For more comprehensive information, visit the Forms & Publications section of [tsp.gov](http://tsp.gov) and scroll to "Fund Sheets at a Glance."

See our core funds on the reverse side

L 2050 Younger than Age 35	L 2040 Ages 35-44	L 2030 Ages 45-54	L 2020 Ages 55-64	L INCOME Withdrawing soon
<p><b>What It Is:</b> A mix of core funds designed for our experts</p> <p><b>Consider If You're:</b> Younger than 35 or planning to need your TSP savings in 2045 or later</p> <p><b>Strategy:</b> Focused more on the potential for high growth over time than on the preservation of assets</p>	<p><b>What It Is:</b> A mix of core funds designed for our experts</p> <p><b>Consider If You're:</b> Age 35-44 or planning to need your TSP savings between 2035 and 2044</p> <p><b>Strategy:</b> Focused more on the potential for high growth over time than on the preservation of assets</p>	<p><b>What It Is:</b> A mix of core funds designed for our experts</p> <p><b>Consider If You're:</b> Age 45-54 or planning to need your TSP savings between 2025 and 2034</p> <p><b>Strategy:</b> Aims to provide moderate-to-high growth over time with a low emphasis on preserving your assets</p>	<p><b>What It Is:</b> A mix of core funds designed for our experts</p> <p><b>Consider If You're:</b> Age 55-64 or planning to need your TSP savings between 2016 and 2024</p> <p><b>Strategy:</b> Aims to provide moderate growth with a moderate emphasis on preserving your assets</p>	<p><b>What It Is:</b> A mix of core funds designed for our experts</p> <p><b>Consider If You're:</b> Withdrawing now or planning to withdraw from your TSP account by 2015</p> <p><b>Strategy:</b> Aims to preserve your assets while providing some growth</p>

 ... and 5 Lifecycle funds that help you navigate investing based on when you'll need your money.  
With the exception of L Income, the investment mix of each L Fund becomes more conservative over time. To change your investments, log into the My Account section of [tsp.gov](http://tsp.gov) and choose "Contribution Allocations" or "Interfund Transfers" on the left.

## Change Your Investment Mix

Contribution Allocation	Interfund Transfer
<ul style="list-style-type: none"> <li>Tells the TSP how participant wants new money going into their account to be invested among the TSP investment fund options</li> <li>Includes employee contributions, agency contributions, TSP loan payments, and any transferred or rollover funds</li> </ul>	<ul style="list-style-type: none"> <li>Redistributes fund balances among existing TSP investment fund options</li> <li>Does not affect the investment of future deposits into their TSP account</li> </ul>
May be done via TSP ThriftLine or TSP.gov	
Generally effective as of close of business each day (based on 12 noon ET cutoff)	
Participant will receive confirmation via website, email or mail	



59

## Interfund Transfer Limits

For each calendar month, the *first two* interfund transfers redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund.

### Example:

1 <sup>st</sup> IFT of the Month		2 <sup>nd</sup> IFT of the Month			
G	20%	G	100%	G	10%
F		F		F	
C		C		C	40%
S		S		S	35%
I		I		I	15%
L	80%	L		L	

G	60%
F	
C	20%
S	5%
I	15%
L	

G	100%
F	
C	
S	
I	
L	

60



[Home](#)
[Site Help](#)
[What's New](#)
[Forms & Publications](#)
[Contact TSP](#)
[Follow Us](#)

You are not logged in [Log In](#)

# THE TSP IS NOW ON FACEBOOK!

LIKE US AT  
[FB.COM/TSP4GOV](https://www.facebook.com/TSP4GOV)

**MY ACCOUNT**

TSP Account Number

User ID

Password

Help [Log In](#)

[My Account](#)
[Plan Participation](#)
[Investment Funds](#)
[Planning & Tools](#)
[Life Events](#)
[Participant Support](#)

**Plan Participation**

How to set up and manage your TSP account

- TSP and Your Retirement
- Enrolling in the TSP
- Investing Contributions
- Protect Your TSP Account

[Learn more >](#)

**Investment Funds**

Information on TSP fund options and performance

- Fund Comparison
- Lifecycle Funds
- Share Prices
- Monthly Returns

[Learn more >](#)

**Planning & Tools**

Retirement planning and tools for all career stages

- Before You Invest
- Maximize Your TSP Savings
- Calculators

[Learn more >](#)

**Life Events**

Help with life events affecting your TSP account

- Entering Gov't Service
- Called to Active Duty
- Family Changes

[Learn more >](#)

**BULLETIN BOARD**

- Warning: Third-Party Mobile Applications
- 2017 Contribution Limits
- Help for Hurricane Matthew victims
- 3rd quarter participant statements are online and in the mail
- The TSP is now on Facebook
- Help for Louisiana storm victims
- Tips for Protecting Your Account
- Stick to Your Plan
- Enhanced Security Features
- Updated Lifecycle fund allocations
- Update Information for Federal Public Safety Employees

**QUICK LINKS**

- Change Your Address
- Forms & Publications
- Loan and Annuity Rates
- Fund Performance
- Contribution Limits
- Email Updates
- TSP Training for Benefits Officers
- Frequently Asked Questions

**ACCOUNT SHORTCUTS**

- Account Balance
- Recent Transactions
- Contribution Allocation
- Interfund Transfer
- Statements

# Access Your TSP Account

## tsp.gov

[My Account](#)
[Plan Participation](#)
[Investment Funds](#)
[Planning & Tools](#)
[Life Events](#)
[Participant Support](#)

**MY ACCOUNT**

TSP Account Number

OR

User ID

Forgot your account number or user ID? [Log In](#)

- View account balance
- View Annual & Quarterly Statements
- Change contribution allocation
- Request interfund transfers
- Request loans and withdrawals
- Create (or change a user ID)
- Change or request a Web password

62



## Contacting the TSP



**YOUR PLAN.  
YOUR FUTURE.**

tsp.gov



**TSP4gov** is the official  
**YouTube** channel  
of the Thrift Savings Plan  
Learn more

**TSP IS NOW  
ON TWITTER!**



FOLLOW US  
@TSP4GOV

Secure Message Center: Civilian

Answer Center Messages

The answers to many of your questions can be found right here in the Message Center. If you don't see your question in the list of frequently asked questions, you can search for the answer using our search tool below.

Find an Answer



63

## Roth TSP Videos

<https://www.youtube.com/user/TSP4gov/videos>



64

## Questions

