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Contact Information:
Customer Service: (800) 989-3363
Fax: (818) 487-4550
E-mail: customerservice@FederalDaily.com
Internet: www.FederalDaily.com
Civil Service Retirement System (CSRS)

1. **Q.** I currently receive both my CSRS Offset annuity and my deceased husband’s survivor annuity. If something happens to me, can our son receive the survivor annuity or my CSRS offset annuity?

   **A.** Unless your son is disabled and totally dependent on you, he is not entitled to an annuity upon your death. If he is disabled, then he should have been listed in your spouse’s retirement paperwork as a disabled/dependent adult child. If he has been listed as such, then he may be entitled to a survivor annuity upon your death. Also, if he became disabled after adulthood (age 18), then he is not eligible for a survivor annuity under any circumstances.

2. **Q.** While I was in college, I worked during the summers of 1974, 1975 and 1976 for a total of nine months as a civilian at a local U.S. Army facility. The employer was the Department of the Army, Civilian Personnel Office. After I graduated from college, I started working as a CSRS-covered employee for the Social Security Administration, where I am still employed. I was wondering whether my temporary time—which was subject to federal and state income taxes and Social Security/Medicare Part A payroll taxes, although I did not contribute the 7 percent of my salary to the Civil Service Retirement and Disability Fund—could be used to increase my CSRS time. In other words, can I add the nine months of temporary federal service to my full-time federal service time?

   **A.** Assuming you entered federal service as a permanent full-time or part-time CSRS-covered employee before Oct. 1, 1982, you have automatically received credit for both retirement eligibility and CSRS annuity computation purposes resulting from your temporary time totaling nine months at the U.S. Army facility. But because you did not contribute to the Civil Service Retirement and Disability Fund during those nine months, you owe a deposit for that time. The deposit is equal to 7 percent of your total salary plus interest charges. If you do not make your deposit in full by the time you retire, you will still get credit for your temporary time. However, your CSRS annuity will be reduced by 10 percent of the deposit due. For more information about the deposit and how the required deposit is calculated, speak to your retirement specialist in your personnel or human resources office.

3. **Q.** I am a CSRS employee and plan to retire at the end of 2013. I am trying to determine the best day to retire. Should I retire on Dec. 28, 2013 (Saturday - the end of pay period 26), Dec. 31, 2013 (Tuesday), or Jan. 3, 2014 (Friday)? Or is there any difference other than the additional days of pay I would receive for working a few days longer after the end of pay period 26?

   **A.** Whether you retire Dec. 28, 2013 (you want to retire on a Saturday, which is the end of a pay period for most employees), or Dec. 31, 2013, or Jan. 3, 2014, your first CSRS annuity check will be dated Feb. 1, 2014, and you would be eligible to receive 11/12 of the cost-of-living adjustment taking effect in January 2015 (assuming there is a COLA taking effect in January 2015). However, by retiring Dec. 31, 2013, or Jan. 3, 2014, you will
not accrue any annual or sick leave hours for the last pay period of leave year 2013. This is because you are retiring in the middle of a pay period. If you were to retire on Dec. 31, 2013, you would get paid for Dec. 30 and Dec. 31. If you were to retire Jan. 3, 2014, then you would get paid for the first week of the last pay period (Dec. 30-Jan. 3, which includes the Jan. 1 federal holiday). But also keep in mind that if you were to retire on Jan. 3, 2014, then you will receive 27/30 of the first CSRS annuity check dated Feb. 1, 2014, whereas if you were to retire Dec. 28 or Dec. 31, 2013, then you will be eligible to receive a full CSRS annuity check dated Feb. 1, 2014.

4. Q. I am a CSRS employee and hope to retire soon. My husband and I have agreed that we will reduce his CSRS survivor annuity to the very minimum in order to retain Federal Employees Health Benefits Program (FEHBP) health insurance coverage in the event I predecease him. In looking over form SF 2801 Section F to elect the amount of the survivor annuity, I am unable to figure out how much to enter in Section F #2. Do I just enter a dollar amount on the blank line, and how small can it be for my husband to retain the FEHBP health insurance benefit?

A. First, to give your husband a reduced CSRS survivor annuity, you must complete Form SF 2801, Section F #2. You must choose a dollar amount that your husband will receive in the event you predecease him. In choosing this dollar amount, you want to make sure he has a sufficient monthly annuity to pay his FEHBP health insurance premium (“self only” coverage). Suppose in 2012 the most expensive self only FEHBP monthly premium that an annuitant or survivor annuitant pays is $300 a month. You should add another $100 to that because FEHBP premiums are increasing annually at a much faster rate compared to CSRS annuity COLAs. Therefore, you want a survivor CSRS annuity equal to $400 a month or $4,800 a year. The amount that you must put in Section F #2 is 55% of $4,800. The number you should put in Section F #2 is therefore $8,727.27 (55% of $8,727.27 equals $4,800). Finally, you must complete SF 2801-2 (Spouse's Consent to Survivor Election), which your husband will have to sign, date and have notarized.

5. Q. I have been told that a CSRS-covered employee who has the minimum years of service and age—in this case, around 34 years of service and age 56, respectively—cannot apply for a disability retirement due to the fact that one is already eligible for a normal or regular retirement. However, someone else said that an employee can retire on disability if he does so prior to his 62nd birthday. Which is true? Also, would there be any advantage to opting for a CSRS disability retirement rather than a normal or regular retirement? I do know that there are no tax advantages with a disability retirement as some people claim. However, I want to ask if there are any other advantages with a disability retirement.

A. If a CSRS employee has 34 years of service and is at least 55 years old, he or she is eligible to retire under the regular or normal CSRS retirement rules. One would be better off retiring under the normal retirement rules rather than going out under a disability retirement because one could work with no restrictions, earning as much as one wants without losing any of the CSRS annuity. On the other hand, an individual who retires under a disability retirement would be restricted as far as how much one could work and earn without losing any of the CSRS disability annuity.
6. Q. What is a CSRS deferred retirement and what does it mean for an employee who chooses it?

A. A deferred retirement under CSRS is an option for a CSRS- or CSRS Offset-covered employee with at least five years of service who leaves government service before being eligible to retire. To be eligible for a deferred retirement, the employee does not withdraw his or her CSRS retirement contributions (approximately 7 percent of after-tax wages) made during his or her years of service. In that case, the individual is entitled to a deferred CSRS annuity starting no earlier than the month of his or her 62nd birthday. The individual would also permanently lose health insurance (FEHBP) and life insurance (FEGLI) benefits at the time of departure from federal service.

CSRS Offset

7. Q. If one acquires 30 years of Social Security credits outside federal service and is covered by CSRS Offset, can that individual receive Social Security retirement benefits without being subject to the Windfall Elimination Provision (WEP)? Is there any way of avoiding the WEP?

A. To answer this question, one has to distinguish between the Social Security retirement benefit a CSRS Offset employee earned outside federal service (assuming the employee has earned at least 40 Social Security credits outside of federal service) and the Social Security retirement benefit the individual earned as a CSRS Offset employee. The CSRS annuity will be offset—either when the individual is age 62 if he or she retired before age 62 or at the time of retirement if the individual retired after age 62—by the amount of Social Security the individual earned as a CSRS Offset employee. This Social Security is not subject to the WEP. Any additional Social Security retirement benefit earned outside federal service should be added to the earned CSRS Offset Social Security benefit amount when the CSRS Offset retiree applies for it. If the outside Social Security earnings are composed of more than 30 years of “substantial” Social Security wages (“substantial” wages are defined each year by the Social Security Administration), then the additional Social Security retirement benefit will not be subject to the WEP.

8. Q. I am CSRS Offset and will be retiring at age 62. I am told that my CSRS pension will be reduced at age 62 by the amount of my Social Security (SS) retirement benefit to offset my CSRS annuity check, regardless of whether I apply to the Social Security Administration for my SS retirement benefit or not. Since my full retirement age is not until age 66, and since there is a considerable difference in my SS retirement benefit between ages 62 and 66, am I being penalized for being CSRS Offset? Are my SS retirement benefits “frozen” at age 62, or can I wait until age 66 to apply and receive a larger monthly benefit?

A. You are not being penalized as a result of being a CSRS Offset employee. When you retire at age 62, your CSRS annuity will be immediately divided up with most of the annuity check coming from OPM (your CSRS annuity check). A smaller portion will be coming from the Social Security Administration, based on your SS retirement benefit you earned as a CSRS Offset employee. You may be entitled to another Social Security
9. **Q.** I have been reading about the benefits of retiring under the CSRS Offset. If I am under CSRS now, how do I become a CSRS Offset employee? Do I quit and come back under FERS? If so, how long do I have to stay under FERS in order to not be affected by WEP or GPO on my deceased husband’s Social Security survivor benefit? If I come back as a FERS employee, will I then get matching TSP contributions on the TSP I now have?

**A.** A CSRS-covered employee becomes eligible for CSRS Offset if he or she had at least five years of CSRS service as of Jan. 1, 1987, left federal service for at least one year sometime after Dec. 31, 1983, and subsequently returned to federal service. You probably do not want to leave federal service and subsequently return; there is no guarantee that you can return. If you want Social Security benefits, you are best off earning 40 credits of Social Security by working in another job covered by Social Security. You can do this now by “moonlighting” or working in another job after you retire from federal service.

10. **Q.** I worked for the federal government as a CSRS employee from June 1982 until February 1998 (uninterrupted and as a career employee). I resigned in February 1998 and withdrew my CSRS contributions. I am now being offered a position with a federal agency and have been told I would be hired as a CSRS Offset employee. I understand that I can change to FERS within the first six months if I wanted to, but I intend to stay a CSRS Offset employee and to redeposit my withdrawn CSRS contributions (including the interest I owe) over a period of time, and by the time I retire. My question: When I am hired and become a CSRS Offset employee, how many hours of annual leave will I accrue biweekly? Also, are all of the things I have stated correct?

**A.** When you are rehired, you will accrue biweekly eight hours of annual leave. Your statements are correct. By making a full redeposit of the CSRS contributions that you withdrew, you will add the approximately 16 years of prior CSRS service that will be used both for CSRS retirement eligibility and annuity computation purposes.

11. **Q.** I was in the Navy Reserves for six years. I went in under the APG (Advanced Pay Grade) as an E-5 but without any prior military time. I did a crash course of “boot camp” and did my two weeks of summer training and weekend drills each month for six years. Foolishly, I got out when I started my own business and couldn't handle both. A fellow employee said that my military service could be added to my CSRS Offset service time. Is that true?

**A.** Assuming you are a CSRS Offset employee and have at least 40 credits of Social Security, you can—and
should—make a military deposit for any active duty time you accumulated while serving in the Navy Reserves. As soon as possible, you need to contact your retirement specialist at your human resources office and tell that individual that you want to make a deposit for your active duty military service. If you are unable to contact your retirement specialist, then you should contact the supervisor at your human resources office.

**Federal Employees Retirement System (FERS)**

12. **Q.** I am under FERS and am leaving federal service after 10 years to work in the private sector. I have 300 hours of unused sick leave. Does my unused sick leave disappear? If I return to federal service, will my unused sick leave be restored? What happens to other benefits such as unused annual leave when I leave?

   **A.** Upon leaving federal service, you will be paid in a lump-sum payment for any unused annual leave. With respect to your unused sick leave, you will not be paid for it. If you do not return to federal service and instead receive a deferred FERS annuity (based on your 10 years of federal service) starting the month you are age 62, then the unused sick leave will not be added to your 10 years of service in the calculation of your deferred FERS annuity. If you do return to federal service within a certain period of time, then your unused sick leave at the time of your departure will be restored. You will be paid in a lump-sum payment for any unused annual leave.

13. **Q.** I am under the FERS retirement system. How is one’s retirement affected if one has an involuntary separation due to misconduct or delinquency? Are you not then entitled to your FERS annuity? And how are misconduct and delinquency defined?

   **A.** Misconduct and delinquency can encompass many types of behavior that can result in an employee being fired. This is something that the employee’s agency, and in particular the agency’s ethics counsel, would have to determine. But in most cases, a fired employee would not be eligible for any type of retirement benefit. The fired employee would most likely receive in a lump-sum payment his or her FERS contributions (the 0.8 percent of after-tax salary the employee contributed each pay period) plus the amount the employee contributed to the Thrift Savings Plan and the earnings on those contributions. Of course, the fired employee would not be eligible for any type of health, dental, vision, life or long-term care insurance benefits.

14. **Q.** I am a FERS transferee who will have 20 years under FERS in March 2012. I am planning to retire at the end of calendar year 2012. My question: Is Dec. 31, 2012, the best date to retire? I ask because I understand that there are 27 pay periods for that year, and I am not sure if retiring in the middle of January 2013 (Jan. 12, 2013, which is the end of pay period 27) would be a better day to retire.

   **A.** By retiring on Jan. 12, 2013, rather than Dec. 31, 2012, you would receive your first FERS annuity check
dated March 1, 2013, rather than Feb. 1, 2013. You would therefore receive one less FERS annuity check. But by retiring Dec. 31, 2012, you would receive one less paycheck and have one less pay period to contribute to the TSP.

15. Q. My agency has been authorized for a Voluntary Early Retirement Authority (VERA). I am in FERS and I am currently 50 years old. But I am just a few months short of 20 years of service that would qualify me to retire early under the VERA. If my agency does not reduce the workforce sufficiently (that is, with the VERA) and initiates a Reduction In Force (RIF), then my question is: During a RIF, would a person who is at minimum retirement age (MRA) with at least 20 years of service be given the option to retire without reduced benefits, including the FERS retirement annuity supplement?

A. Under a RIF, unless an agency has been given authority to offer early retirement to eligible employees (employees at any age with at least 25 years of service or employees age 50 and older with between 20 and 25 years of service), the agency would not be able to offer early retirement to these employees. In your case, as a FERS-covered employee with nearly 20 years of service, you could not retire at this time even under a VERA. Once you have 20 years of service, and assuming the early out authority still applies, you could retire with no reduction in your FERS annuity even though you would be younger than MRA. If the early out authority is not available, then you could apply for a deferred retirement with your FERS annuity starting when you are age 60. You would lose your health and life insurance benefits, however. At the time you have 20 years of service, and assuming your agency still has an early retirement authority for eligible employees, you could retire and you could keep your health and life insurance benefits (assuming you have had these benefits for at least the five years leading up to your retirement).

16. Q. I received a buyout offer from my agency. I am a FERS employee and am currently 55 years old. I am eligible for a “postponed” (“MRA + 10”) retirement at age 56, my minimum retirement age or MRA, at which time I will have 28 years of service. I will meet the eligibility requirements for regular retirement when I am 58 years old and have 30 years of service. Part of the three-tier system for FERS is Social Security. If a FERS employee retires before they can apply for Social Security retirement benefits (age 62), then the annuitant will receive the FERS retirement annuity supplement until age 62. The retirement annuity supplement is payable to a FERS employee retiring on an early voluntary retirement; however, the annuity supplement will start when the FERS annuitant reaches MRA. My question: In my case, when does the retirement annuity supplement start? Would it start when I become 56 or would I have to wait until the age when I would have had 30 years of service—age 58? What is the MRA in my case? Age 56 or 58?

A. Your MRA for the purpose of the FERS retirement annuity supplement is age 56. That means if you retire early (before your MRA) under a buyout offer from your agency, then you will immediately receive your FERS annuity, but you will have to wait until the month you become MRA to start receiving the retirement annuity supplement. The annuity supplement will continue until the month you become age 62.
Deposits and Redeposits

17. Q. I withdrew retirement funds from CSRS when I left federal service. I have returned and I am almost eligible to retire. I have requested a retirement calculation and I know the amount of CSRS redeposit that I owe. I have an IRA which I can use to pay off the CSRS redeposit. I am 64 years old; therefore, there is no penalty for early withdrawal from the IRA. The question is, can I “roll over” the money from the IRA to pay the redeposit? If I could do that, am I correct in assuming that the rollover would not be taxable? On the other hand, if I cannot roll over the money and I am required to withdraw the funds from the IRA to pay the redeposit, I believe the money would be taxable as income. Please advise whether I can roll over the money from the IRA without paying tax on the rollover amount to pay back the redeposit.

A. An employee is not allowed to roll over a traditional (or Roth) IRA to make a redeposit. In your case, you would have to first cash out your IRA (pay the tax due if the IRA is a traditional IRA) and use the after-tax funds from the cashed-out IRA to make your redeposit.

18. Q. My spouse has a long commitment to the military (active duty) of seven to 10 years, depending on a few factors. If she decides to leave the military after 13 to 14 years of service, can these years be easily transferred to federal service via military deposit? How old would she have to be as a civilian worker to retire with this many years of active duty “bought back”?

A. Assuming your spouse is not a military retiree for active duty (active duty military retirees are not eligible to make a deposit for their active duty military service unless they waive their active duty military retirement pay), she can make a military deposit for her active duty years, and in so doing, she would receive credit for her civilian retirement. To be eligible to retire from federal service, she would have to work a minimum of five years under FERS. If she made a deposit for military service—say, for example, 14 years—then she could retire at age 60 with a minimum of six years under FERS.

19. Q. I am a federal employee and I am also in the U.S. Army Reserve. Recently, I have had two periods of military furlough or leave-without-pay status to perform military duty. These two periods total more than two years. I desire to retire in the near future. I have made military deposits under FERS for these absences. Based on these deposits, do I receive credit for length of service purposes?

A. Your military deposits will add to your years of service, meaning that the added years are used for eligibility and in the computation of your FERS annuity.

20. Q. I am an Air Reserve Technician who will retire in six months. About three years ago, I made a military deposit of just over $30,000 and planned to retire from both federal service and the Reserves simultaneously. I found out quite late in the game that because I became eligible for an active duty retirement while serving an interim
limited active duty tour, I lost eligibility for an Air Force Reserve retirement. Thus, it is more advantageous to retire with full military time. So instead of taking a full civilian retirement (including the time bought back with the military deposit), I will take an “MRA+10” reduced annuity. I understand that the military deposit will eventually be refunded when my civilian retirement is adjudicated. My question: Is there a way to get the military deposit refunded early? In other words, can I apply for the refund now, six months before I retire?

A. According to OPM’s CSRS and FERS Retirement Handbook, Chapter 23, page 44, you will have to wait until you retire to receive a refund of your military deposit. This is because you are not waiving your military active duty retirement pay.

Survivor Benefits

21. Q. I understand that if I elect the 100 percent FERS survivor annuity, then my FERS retirement annuity will be reduced by 10 percent. My spouse will then receive, upon my death, 50 percent of my unreduced FERS retirement annuity provided she outlives me. Is the amount of my spouse’s FERS survivor annuity 50 percent of my unreduced FERS retirement annuity at the time of my death (including COLAs)? Or is it 50 percent of my unreduced FERS retirement annuity at the time of my actual retirement (no COLAs)?

A. The amount of the FERS survivor annuity (spouse) is 50 percent of the deceased annuitant’s annuity at the time of his or her death without the reduction for the survivor benefit (that is, the 10 percent reduction is not included). Example: An annuitant is receiving $45,000 a year FERS annuity (includes $5,000 reduction for survivor benefit) at the time of his or her death. The survivor spousal annuitant receives 50 percent of $50,000, or $25,000, as a survivor annuity.

22. Q. Once the monthly deduction for the survivor annuity is calculated, does it rise as the cost-of-living allowances increase the monthly base, or does it remain constant?

A. Once the cost of the survivor annuity benefit is calculated (at the time an employee retires) the cost stays constant throughout the time the annuitant is living, even when cost-of-living- allowances are applied to the annuity.

23. Q. I retired from federal service in 2002 after 30 years. My wife also is a federal employee and will take an early out at the end of this month (age 51, 33 years of service). We are both CSRS. We had requested that OPM change our Federal Employees Health Benefits Program health insurance (self and family) coverage, which is currently under my name, to self and family under her name. Her human resources office is now telling her that if the FEHBP is in her name with me under family, and she were to die after she retired before the next open season, I would not be entitled to health benefits. My reading of the health benefits rules is that, as a
retiree, her death would be a “life changing event” for me and I would be allowed at that time to select self only insurance. I have also read that either of us can change our FEHBP to self only at any time (not just open season). We are thinking that we should both just change to self only now before she retires. Are we on the right track?

A. Yes, the two of you are on the right track, and your wife’s HR office has apparently given her erroneous advice. During this coming open season in November and early December, just switch your current self and family FEHBP plan to two self only plans (one in your name and one in your wife’s name) and the two of you will be covered for health benefits the rest of your lives no matter who dies first.

24. Q. My husband was a federal employee who died while he was still employed. We were married for 29 years and six months. I have not remarried, and don’t plan to until I am at least age 55. I’m receiving his full retirement annuity as a survivor. I am 53 years old. When I turn age 55, will that amount be reduced? I am also a federal employee and plan to retire when I am age 55.

A. When you become age 55, your survivor annuity will not be reduced. Also, when you retire you will receive your full (CSRS or FERS) annuity plus the survivor annuity with no reduction or offset in either annuity.

25. Q. I am planning to retire very shortly and was wondering how much of my annuity is taxable. I understand the survivor annuity reduction, but I am curious to know if the approximate 10 percent reduction for the survivor is taxable. For example, if my total annuity is $50,000 and I pay $5,000 for the spousal survivor annuity, do I pay taxes on the net $45,000 or the full $50,000?

A. The part of your annuity that results after the deduction for the survivor annuity benefit (approximately 10 percent for the maximum CSRS or FERS survivor annuity benefit) is the amount that is subject to federal income tax. In your example, with a gross annuity of $50,000 and a survivor annuity deduction of 10 percent ($5,000), the amount of your annuity that is subject to federal income tax is $45,000.
Thrift Savings Plan

26. **Q.** When a person quits federal service, do earnings (or losses) continue if a person leaves their money in the TSP? Is there a time limit for transferring the money into an IRA?

   **A.** Monies that are left in the TSP continue to earn interest, dividends and/or capital gains. Fund values will change daily. There is no time limit for rolling monies from the TSP into a traditional IRA.

27. **Q.** Can the amounts paid on TSP loan payments be considered “after-tax contributions” to the TSP for tax purposes?

   **A.** Although all monies paid to one’s TSP account as part of a TSP loan payback are done with “after-tax” dollars, the monies withdrawn in future years (as part of TSP withdrawals) will be fully taxable.

28. **Q.** Will the money that I contribute to TSP reduce my Social Security benefits when I retire and collect Social Security?

   **A.** Your TSP contributions will have no effect on your Social Security benefits after you retire.

29. **Q.** I am age 53, applying for my agency’s Voluntary Separation Incentive Payment, and want to withdraw my TSP through payments based on life expectancy. (1) Do I have to base the amount on my entire account balance to avoid penalties, or can I use partial account balance? (2) Do I have to initiate the withdrawal immediately to avoid any penalties, or can I wait a year after I retire to begin the process (to take advantage of a lower tax base)? I know there is a 10 percent penalty if I don’t use this method and that I cannot take my monthly payments until I am age 59.5.

   **A.** In answer to your questions about TSP monthly payments based on life expectancy (in order to avoid the pre-age 59.5 10 percent early withdrawal penalty): (1) the monthly payment for each year is calculated based on your entire account balance as of the last day of the previous year; and (2) you can request that the monthly withdrawals start at any time after you retire—you are not required to start the monthly withdrawals immediately after you retire under the VSIP.

30. **Q.** In terms of withdrawing funds from the TSP, can you explain the tax advantages of a rollover versus a direct transfer?

   **A.** With a TSP rollover, the TSP makes the check out to the TSP account owner and sends the check (less 20 percent federal income tax withholding) to the TSP account owner. Once the check is received, the TSP
account owner has 60 calendar days to deposit the entire TSP distribution (including the 20 percent withheld for federal income taxes) into a traditional IRA or into a retirement plan. With a TSP direct transfer, the TSP electronically transfers the entire requested withdrawal (with no federal income tax withholding) directly to the traditional IRA custodian or retirement plan administrator.

31. Q. I am in FERS and will retire in late 2012. If I set up monthly payments from the TSP, then after, say a year or two, would want to purchase an annuity with the remaining portion of my TSP funds, is that possible?
   A. After retiring from federal service, you can request monthly payments from your TSP account and subsequently purchase a TSP annuity with the remaining portion of your TSP account.

32. Q. Normally each year on Jan. 1, I contribute $6,000 for myself and $6,000 for my wife into our respective Roth IRAs. I also maximize my TSP contributions each year. For 2012, this means that on every pay date I am contributing $653.85 in a regular contribution and $211.53 in a “catch-up” contribution. Will I be able to contribute all of the latter contributions into the Roth TSP? Or am I limited to the $6,000 currently allowed into the Roth IRA?
   A. The TSP Roth contribution limit will be separate from the Roth IRA contribution limit. Assuming your and your wife’s adjusted gross income is not above $183,000 during 2012, both of you can contribute a maximum of $6,000 to your Roth IRAs for 2012. Once the Roth TSP starts (estimated start: late spring 2012), you will also be able to contribute to the Roth TSP. During 2012, employees will be able to contribute no more than $17,000 in total to the traditional TSP and the Roth TSP, plus a maximum $5,500 in “catch-up” contributions in total to the traditional TSP and the Roth TSP.

33. Q. If I contribute $105 per pay date to the TSP, then how do I figure out how much I will have in my TSP account in 15 years when I retire?
   A. On the TSP Web site, there is a calculator that will allow a TSP participant to estimate what he or she can expect to have at the time of retirement, given what he or she is contributing each pay period. To access this calculator, go to: https://www.tsp.gov/planningtools/retirementplanning/howMuchWillGrow.shtml

34. Q. Can a TSP account be inherited by a nonspousal beneficiary like an IRA can be?
   A. Effective Jan. 1, 2007, a non-spousal beneficiary of the TSP is allowed to roll over the inherited TSP assets into an “inherited” traditional IRA. Once the inherited TSP assets are in the inherited IRA, the assets must be withdrawn. The assets can be withdrawn over the IRA owner’s life based on the life expectancy of the IRA owner. Note that inherited TSP assets must be withdrawn or rolled over within five years of the deceased TSP account owner’s death. The assets may not remain in the TSP.
Social Security and the FERS Retirement Annuity Supplement

35. Q. I am a military retiree with 20 years of military service, and will be retiring with 20 years government service under FERS during 2012. Since I am currently receiving my monthly military pension, and I will be receiving my FERS annuity starting after my retirement from civil service, will my Social Security retirement benefit be offset by my military pension or FERS annuity?

A. Your Social Security retirement benefit will not be affected by either your FERS annuity or your military pension.

36. Q. I earned 30 credits of Social Security before I began working for the federal government. I will retire under CSRS in a few years. Would it benefit me to pursue getting the last 10 credits under Social Security when I retire, or would the Windfall Elimination Provision eliminate my Social Security retirement benefit?

A. Yes, it would be in your best interest to obtain your 40 credits of Social Security. Note that the Windfall Elimination Provision (WEP) reduces one's Social Security benefit. The WEP does not eliminate one's Social Security benefit. While the amount of your Social Security retirement benefit will be reduced, the amount of your monthly Social Security retirement benefit should pay for a good portion, if not all, of your Medicare Part B monthly premium (which is normally deducted from one's Social Security check).

37. Q. I plan to continue to work at age 65 and have more than 40 credits of Social Security. My full retirement age is 66 years. Can I collect a Social Security retirement check and continue to work after age 65?

A. You can continue to work after age 65 and collect a Social Security retirement check. However, until you reach age 66, your Social Security benefits will be subject to an “earnings” test which may result in your forfeiting all of your Social Security benefits if your earned income (salary or self-employment income) exceeds the “earnings limit” in any given year.

38. Q. The FERS retirement annuity supplement will be reduced if non-government earnings in the previous year exceed an amount set by the Social Security Administration. If I retire at the end of 2013 and received no non-federal earnings in 2013, am I correct in assuming that my annuity supplement will not be reduced in 2014? It appears that anyone retiring under FERS near the end of the calendar year will receive the full annuity supplement for the subsequent year. If that is the case, then does retiring at the end of the year that I reach age 61 mean that I will receive the FERS annuity supplement without ever being subject to a reduction due to excess earnings?

A. If a FERS-covered employee retires at the end of 2013, then the FERS retirement annuity supplement received during 2014 would not be affected by any “earnings” test. Therefore, retiring at the end of the year in which a
FERS-covered employee reaches age 61 means that the FERS annuitant will be able to receive the full FERS retirement annuity supplement during the subsequent year (the year the FERS annuitant becomes age 62) until the month the FERS annuitant becomes age 62.

39. Q. I have heard that an individual should hold off applying for the Social Security retirement benefit until age 70. Does waiting until age 70 before receiving Social Security benefits make sense? Also, how would that affect applying for Medicare?

A. With respect to when an individual should start receiving a Social Security (SS) retirement benefit, here is what most financial professionals advise: If one is between age 62 and full retirement age (FRA) and is working and earning a sizable salary (more than $25,000 a year), then it pays not to receive SS benefits due to the SS “earnings” test.” Once an individual reaches FRA and is still working, then while there is no earnings test for SS benefits, the receipt of a full-time salary and SS benefits could cause the individual to pay more federal income taxes due to additional income. By waiting past one’s FRA to receive SS benefits, one will receive a higher monthly benefit each year until age 70. This is especially appropriate for individuals who expect to live beyond age 85. With respect to Medicare, one can (and should) enroll in Medicare Part A (there is no monthly premium) a few months before his or her 65th birthday. If one is a federal employee and covered by an FEHBP plan and still working at age 65 for the federal government, there is no reason to enroll in Medicare Part B until one retires. Once the individual retires from federal service, he or she can sign up for Part B (with no penalty) and have the monthly premiums deducted from his or her SS check, assuming an SS check is being received. Otherwise, the Part B premium can be deducted from a checking or savings account.

40. Q. Based on a recommendation, I plan to retire on Dec. 31, 2012. My question is about the Social Security earnings limit for 2013. I become age 65 in January 2013 and I would like to apply for Social Security at that time rather than waiting until my I reach my full retirement age of 66 in January 2014. I fully understand the Windfall Elimination Provision reduction and I know that one can earn up to $14,640 during 2012 without a hit to one’s Social Security benefit. Since I will retire on Dec. 31, 2012, this equates to receiving my final paycheck—as well as accumulated unused annual leave payout—in January. Does my last paycheck and lump-sum payment for unused annual leave count against the earnings limit during 2013 (whatever the Social Security earnings limit will be for 2013) whereby my Social Security retirement benefit will be reduced? I will also be signing up for Medicare and would like Social Security to cover the Part B costs, but if I am in a negative scenario if those funds count against me, should I should wait another year to apply for Social Security?

A. Assuming that you retire on Dec. 31, 2012, and receive your first Social Security check in January 2013, your final paycheck and your lump-sum payment for unused annual leave will NOT count against the Social Security “earnings” limit for 2013. The reason your final paycheck and lump-sum payment for unused annual leave will not count for the purpose of the Social Security “earnings” test is because both payments were earned before the receipt of your first Social Security check. Unless you have a need for your Social Security check
besides paying the monthly Medicare Part B payment, you are encouraged to wait until your full retirement age (FRA) (age 66) to start receiving your Social Security retirement benefit. The reason: As a CSRS annuitant, your Social Security benefit will also be reduced because of the Windfall Elimination Provision. By starting your Social Security retirement benefit at age 65, your Social Security will be reduced by approximately 7 percent. In the meantime (between age 65 and 66), you can have the Medicare Part B premium deducted from your CSRS annuity check. Once you enroll in Social Security, you can then have your Part B premium deducted from your somewhat higher Social Security check.

41. Q. When I report my previous year’s earnings to OPM for the FERS retirement annuity supplement for the purpose of the “earnings” test, do I include my annual leave lump-sum payout and Voluntary Separation Incentive Payment (VSIP) of approximately $25,000? How about after I find a civilian job with a private company—do I include tax-deferred contributions to my 401(k)?

A. You will not have to report your lump-sum payment for unused annual leave to OPM for the purpose of the FERS annuity supplement “earnings” test. However, if you are working for a private employer while you are receiving the FERS retirement annuity supplement, then you must report your gross wages, including the portion of your wages you are contributing to a 401(k) retirement plan.

42. Q. Several of my co-workers just returned from a FERS retirement seminar. They said they will have to work past their MRA (56) because they would not be able to receive the Social Security Supplemental Annuity at retirement due to their situation. Here is the situation. All are FERS. They are planning to use military time served toward their 30 years requirement so they can retire at 56 (MRA+30). They have bought back the military time with their agency. They knew that their military time would not count toward the SS Supplemental Annuity calculation. In other words, they will have 25 years of federal time and five years of military time when they reach their MRA. All is well for their pension, and they thought they would receive a reduced Supplemental Annuity (based on 25 years instead of 30 years), however they were told at the seminar that they could not get any SS Supplemental Annuity until they had 30 years of federal time. Is this right? I am in the same situation. I am 53 years old, my MRA is 56, I have 23 years of federal service, and I bought back six years of military service.

A. What your co-workers apparently heard at the retirement seminar is not correct. Your co-workers are eligible for the FERS annuity supplement assuming they retire with 30 years of creditable service (which includes five years of “bought back” military service). While the five years of military service will NOT be counted in the calculation of the FERS annuity supplement (as you correctly stated), your co-workers are eligible for the annuity supplement. And when you retire at your MRA with 32 years of total federal service, you will also be eligible for the FERS annuity supplement calculated based on your 26 years of civilian service.
**Medicare and FEHBP**

43. **Q.** My spouse is covered by my FEHBP and will be eligible for Medicare several years before I will be Medicare eligible. Can my spouse delay taking Medicare Part B without penalty until I am Medicare eligible and FEHBP becomes secondary? Does FEHBP becoming secondary hinge on my being Medicare eligible? If my spouse can delay taking Part B Medicare, what is the effect on FEHBP coverage?

   **A.** Your spouse can hold off enrolling in Medicare Part B until you are retired from federal service. Until you are retired from federal service, your FEHBP plan will be your “primary” coverage and Medicare will be “secondary.” Once you are retired from federal service, Medicare Parts A and B will “primary” coverage and your FEHBP plan will be “secondary” coverage for your spouse.

44. **Q.** I am turning age 65 in November 2012. I have already signed up for Medicare Parts A and B through the Social Security Administration. I currently have Blue Cross/Blue Shield insurance (standard) and want to have BCBS (basic) as secondary insurance. Can I switch from standard (self) to basic (self) now, or do I have to wait until the next FEHBP open season? If can switch now, what is the procedure for doing so?

   **A.** Assuming you enrolled in Medicare Parts A and B within the last 30 days, you can switch your Federal Employees Health Benefits Program (FEHBP) plan at this time. You need not wait until the open season. This is because enrolling in Medicare is considered as a “life event” with respect to the FEHBP.

45. **Q.** Is there any good reason not to choose to take Part B of Medicare? I will continue with my FEHBP, so what is the advantage of having Part B? Couldn't my FEHBP plan be my primary, and I would be enrolled in only Medicare Part A and not in Part B?

   **A.** The choice is yours. Most doctors will accept Medicare Part B as the patient’s primary payer provided the patient has a supplemental (secondary) payer. For federal annuitants, the supplemental payer will be an FEHBP plan. Between Medicare Part B and an FEHBP plan, an annuitant’s non-hospital expenses (Medicare Part A pays for hospital-oriented expenses) should be paid in full. The downside to Medicare Part B is that there is a monthly premium which depends on the Part B enrollee’s adjusted gross income. The only annuitants who may want to forgo Medicare Part B are those who are enrolled in—and intend to remain enrolled in—Health Maintenance Organizations.
46. Q. I plan to contribute $5,000 into either an HCFSA or into an HSA. My wife has been enrolled in Medicare Part A for a few years and just enrolled in Medicare Part B. Will this Medicare coverage disqualify me from participating in an HCFSA or an HSA? Which would be the better choice?

A. Assuming that you have a Federal Employees Health Benefits Program (FEHBP) health insurance plan that covers both you and your wife (self and family coverage), your wife’s enrollment in Medicare Parts A and B makes you ineligible to contribute to a Health Savings Account. However, your wife’s enrollment in Medicare Parts A and B does not preclude you from participation in a Health Care Flexible Spending Account. You can contribute during 2012 $5,000 (maximum) to the HCFSA and retain your FEHBP health insurance plan coverage. Any qualifying out-of-pocket medical, dental or vision expenses that are incurred by you or your wife during the 2012 plan year (Jan. 1, 2012, through March 15, 2013) can be reimbursed to you through your HCFSA.

47. Q. Does my spouse have to be on the dental plan for five years to be covered when I retire?

A. Neither you nor your spouse has to be a participant for five years in the federal employee dental insurance program in order to keep the coverage or to join the program once you retire from federal service.

48. Q. My wife is seven months pregnant with our first child, so I figure it’s a good time to start on the massive paperwork that is sure to come. Here I’m just trying to focus on job/benefit-related items that I’ll need to get changed. I can really only think of life and health insurance options, just like when we got married last year. We’re going to shop around for life insurance. I will notify my health insurance company once the baby is born. I believe my self and family option automatically adds my baby. I wanted to increase my FSA, but I found that since we are due beyond the Oct. 1 deadline, we are not allowed to do that. That just leaves what to do about dental and vision insurance coverage. Do I need to add baby to those plans? I think one of them is self plus one instead of self and family. Have I missed anything?

A. You have correctly assessed your situation with respect to your insurance and FSA situation and the upcoming birth of your first child, with the exception of the dental and vision insurance. Upon the birth of your child, you could switch your dental and/or vision insurance from self plus one coverage to self and family coverage. However, the question you have to ask yourself is: Is it really necessary to add dental and/or vision insurance for a newborn child? The child will most likely not require any significant dental/or vision care for at least the next five years. You should give serious consideration to maintain your self plus one dental and vision insurance coverage for at least the next few years.
49. **Q.** My wife plans to retire next year at age 59.5 from civil service after 35 years of service. She has a high option health plan that she has had for more than five years and plans to carry into retirement. I am nine years her junior, retired military and have been in the civil service since December 2004, and plan to retire at my MRA. I have my own Tricare Prime health insurance. Given the difference in our ages, are there any special considerations we should be looking at with respect to: (1) health benefits, (2) life insurance, (3) long-term care, and (4) survivor benefits?

**A.** The two of you have your own health insurance plans and seem to be happy with your respective plans; therefore, there are no recommendations for health benefits. With respect to survivor benefits, have the two of you discussed the need to give survivor benefits to each other? The two of you should give this serious consideration, especially if you are depending on and living on two incomes. Do you have a burial fund? Do you still have a mortgage? If you do not have a mortgage, then you may want to decrease or eliminate your life insurance coverage. Finally, all relatively healthy retirees of today and tomorrow who are retiring in their 50s and 60s should give serious consideration to buying long-term care insurance.

50. **Q.** When I retire, I do not plan to give my wife survivor annuity benefits. But I do plan on carrying my wife on my health plan as part of self and family coverage. If I predecease my wife, how will that affect her health benefits? Can she continue to pay premiums?

**A.** If you do not give your wife any type of survivor annuity benefit (it makes no difference if you are covered by CSRS or FERS), then should you predecease your wife, she will permanently lose her FEHBP health insurance coverage at your death.