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Injured Workers' Retirement Options

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Objectives

- Describe the two main retirement systems
- Describe the different retirement options to help employees make informed decisions and preserve benefits
- Describe how retirement benefits are affected by OWCP upon return to work
- Describe the coordination of retirement benefits between OWCP and retirement

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Federal Retirement Systems

- Civil Service Retirement System (CSRS)
- CSRS Offset (CSRS and Social Security coverage)
- Federal Employee Retirement System (FERS)
 - FERS Revised Annuity Employee (FERS-RAE)
 - FERS Further Revised Annuity Employee (FERS-FRAE)

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Civil Service Retirement System (CSRS)

- Single defined benefit created 8/1/1920
- Social Security Amendments Act 1983 created CSRS Offset
- Option of paying into Voluntary Contribution Program
- Eligible to contribute to Thrift Savings Plan (TSP)
 - No matching contributions

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Federal Employees Retirement System (FERS)

- Generally employees first hired in covered position on/after 01/01/87
- Three-Tiered Retirement System
 - Defined Benefit
 - FERS contribute 0.8% of salary
 - FERS-RAE contribute 3.1% of salary
 - FERS-FRAE contribute 4.4% of salary
 - Social Security
 - Thrift Savings Plan

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Retirement Options

- Optional Reduced/Unreduced
- Voluntary Early Retirement (VERA) or Discontinued Service Retirement (DSR)
- Disability
- Deferred
- Special Provisions (FF/LEO/ATC)

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Age and Service Requirement for Optional Unreduced Retirement

| CSRS | | FERS | |
|------|----------|------|----------|
| Age | Service | Age | Service |
| 55 | 30 Years | MRA | 30 years |
| 60 | 20 years | 60 | 20 years |
| 62 | 5 years | 62 | 5 years |

Minimum Retirement Age = MRA


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Minimum Retirement Age (MRA) +10

- Reduced optional retirement at MRA with 10-29 years of service
 - 5% reduction for each year under age 62 (permanent reduction)
 - Not entitled to FERS Annuity Supplement
- Postponing your retirement
 - Reduce or eliminate 5% age reduction by postponing the annuity commencing date
 - Reinstatement of Federal Employees Health Benefit (FEHB) and Federal Employees' Group Life Insurance (FEGLI) coverage if eligible at time of separation

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VERA / DSR

- Approvals
 - VERA: OPM and Agency must approve
 - DSR: Agency written proposed involuntary separation notice
- Age and service requirement for eligibility
 - Age 50 with 20 or more years of creditable service
 - Any age with 25 years of creditable service
- CSRS annuity reduced 2% for each year under age 55
- No age reduction under FERS for early retirement
 - If FERS has CSRS component 2% for each year under age 55
- Eligible for FERS annuity supplement at MRA

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Disability Retirement

- Unable to render useful & efficient service
- Disability expected to continue for at least one year
- Must be in a position covered by CSRS or FERS
- Eligibility
 - Minimum of 5 years CSRS coverage
 - Minimum of 18 months of FERS coverage
- Disability annuity IS subject to Federal tax
- FERS and CSRS Offset are required to apply for Social Security benefits
- Not eligible for FERS annuity supplement

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CSRS Disability Retirement

- Higher of the regular annuity formula (earned annuity) or guaranteed minimum
- Guaranteed minimum is the lesser of the following
 - 40% of "High-3 average salary" or
 - Regular annuity obtained after increasing service by the time between retirement and 60th birthday

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FERS Disability Retirement

| FIRST 12 MONTHS | AFTER 12 MONTHS | |
|----------------------------------|---------------------------------|--|
| 60% X High-3 average salary | 40% x High-3 average salary | Disability annuity is recomputed at age 62 to an amount that represents the annuity you would have received if you had continued working until the day before your 62nd birthday and then retired under non-disability provisions. |
| minus | minus | |
| 100% of Social Security Benefits | 60% of Social Security Benefits | |

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Deferred Retirement

- Separate from Federal service before meeting age and service requirements to retire
- Eligible to receive a deferred annuity at age 62 with at least 5 years of creditable service
 - FERS are eligible upon reaching your MRA with at least 10 years of creditable service (potential 5% age reduction) IF:
 - Not eligible for an immediate annuity within 1 month of separation,
 - Meet the minimum 5 years of creditable civilian service requirement at the time of separation; and
 - Do not take a refund of retirement deductions after separating from Federal service.
- FEHB and FEGLI will **NOT** be reinstated when annuity commences
- FERS Annuity Supplement is not payable

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Potentially Creditable Service not Covered by CSRS or FERS Deductions

- Any period of potentially creditable service during which retirement deductions are not withheld:
 - Generally, non-career time such as temporary or indefinite service commonly referred to as non-deduction service
 - Non-deduction service on or after 10/1/82 must be paid for CSRS service credit
 - Non-deduction service on or after 1/1/89 may not be paid for FERS service credit
- Peace Corps
- AmeriCorps VISTA
- Military Service

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Refunded Retirement Contributions

- Retirement contributions refunded to employee after break in service
 - Redeposit may be made to increase amount of service included with retirement annuity computation
 - CSRS actuarial reduction for service ending prior to March 1, 1991
 - Redeposit = Amount of refund plus interest
 - Interest accrues from the date of refund check

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Crediting Military Service

- Honorable, Active Duty Service
- Military Retired Pay Considerations
- Post 1956 service requires 7% CSRS or 3% FERS deposit of base pay plus interest
 - Must complete payment of military deposit prior to separation from Federal service

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CSRS General Formula

Employee retiring with 30 years service with High-3 of \$60,705

| % | x | Years | = | Factor | x | High-3 | = | Total |
|-------|---|-----------------|---|--------|---|----------|---|---------------------------------------|
| 1.5% | x | 5 | = | 7.5% | x | \$60,705 | = | \$4,552.87 |
| 1.75% | x | 5 | = | 8.75% | x | \$60,705 | = | \$5,311.68 |
| 2.0% | x | Remaining Years | = | 40% | x | \$60,705 | = | \$24,282.00 |
| TOTAL | | | = | 50.25% | X | \$60,705 | = | \$34,146.55/yr or \$2,845.55/mo |

Maximum annuity 80% of high-3 average salary = 41y and 11m service
May exceed limit with unused sick leave credits

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FERS General Formula

Employee retiring with 30 years service with High-3 of \$60,705

| % | X | High-3 | X | Years/Months | = | Total |
|------|---|----------|---|--------------|---|---------------------------------------|
| 1% | x | \$60,705 | x | 30 years | = | \$18,211.50/yr or \$1,517.62/mo |
| 1.1% | x | \$60,705 | x | 30 years | = | \$20,032.65/yr or \$1,669.38/mo |

Enhanced annuity 1.1% retire age 62 or older with 20 or more years of service
No maximum annuity

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FERS Annuity Supplement

- Eligible if you qualify for immediate, non-disability retirement (other than MRA+10)
- Substitutes for Social Security part of the total FERS benefit until age 62
- Approximates the Social Security benefit earned under FERS
- Subject to earnings test
- Not subject to COLAs

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Cost of Living Adjustments (COLAs)

| | |
|---|---|
| <p>CSRS</p> <ul style="list-style-type: none"> • Begins the first December after retirement • First COLA is prorated | <p>FERS</p> <ul style="list-style-type: none"> • Generally not applied until the December after 62 <ul style="list-style-type: none"> • Exceptions: Disability, LEO/FF, ATC |
|---|---|

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Commencing Date of Annuity

- CSRS
 - First day of the month after separation from service and meets the age and service requirements
 - Can work up to 3 days in the month and annuity will commence day after separation
- FERS
 - First day of the month after separation from service and meets the age and service requirements
- Exceptions
 - Disability
 - DSR

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Cost of Spousal Survivor Annuity

| | |
|---|--|
| <p>CSRS</p> <p>Survivor receives 55% of the base elected by retiree</p> <p>2 ½ % x \$3600</p> <p>+ 10 % x Amount of base in excess of \$3600</p> | <p>FERS</p> <p>Full survivor annuity (50%) 10% of annuity</p> <p>Partial survivor annuity (25%) 5% of annuity</p> |
|---|--|

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Spousal Survivor Annuity

| | |
|--|---|
| <p>CSRS</p> <p>Spouse receives 55% of higher of:</p> <ul style="list-style-type: none"> • Annuity under general formula or • Guaranteed minimum | <p>FERS</p> <ul style="list-style-type: none"> • Monthly survivor benefit if employee had at least 10 years creditable service and died while under FERS • Basic Death benefit <ul style="list-style-type: none"> • 50% employee's final annual salary plus \$15,000 increased by COLAs since 1987 (\$32,326.58) |
|--|---|

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FEHB in Retirement

- May continue coverage if:
 - Continuously enrolled (or covered as family member) in any FEHB plan 5 years immediately preceding retirement or first opportunity to enroll
 - 5 year waiver
 - Time covered under TRICARE is creditable towards 5 year requirement
 - Must be enrolled in FEHB on date of retirement
- Premium cost share remains same

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FEGLI in Retirement

- Eligible to continue coverage if:
 - Retire on an immediate annuity or Postponed Retirement
 - Covered for the 5 years of service immediately preceding retirement or first opportunity to enroll
 - Have not converted to an individual policy

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Why would injured worker want to retire?

- Avoid periodic medical evaluations
- OWCP benefits can terminate at any time
- Employee recovers enough for employment or termination of benefits
- Survivor benefits limited under OWCP
- Medical bills for accepted conditions remain covered under OWCP
- OWCP claim approval does not automatically entitle FERS or CSRS Disability Retirement
- Ongoing legislation proposes to cease OWCP benefits past Social Security retirement age

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Advantages of Applying for Disability Retirement

- OPM begins annuity payments if OWCP has not awarded benefits
 - Required to elect between OWCP and CSRS/FERS annuity if OWCP benefits subsequently awarded
- Safety net if OWCP benefits are terminated
 - Can elect to have disability annuity reinstated
 - Survivor benefits are protected if claimant dies from an injury or illness not related to job injury
 - May continue FEHB and FEGLI as a disability retiree

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Preserving Rights to CSRS/FERS Annuity Benefits

- If **not** eligible for immediate retirement and have separated from Federal Employment
 - Applying for disability retirement preserves employee and spouse future annuity benefits
 - Separated injured worker has 1 year to file from date of separation
 - If employee dies and disability retirement was not approved prior to death, survivor is not entitled to any CSRS/FERS survivor benefit
- If eligible for immediate retirement and have separated from Federal employment
 - Not necessary to file application for retirement to protect your right to an annuity

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Concurrent Payable Benefits

- May not concurrently receive both OWCP and CSRS/FERS Annuity
- Injured workers receiving annuity may concurrently receive:
 - Schedule Award
 - Medical benefits under OWCP
 - May receive annuity if OWCP benefits are suspended to receive 3rd party financial settlement
- Individuals receiving OWCP on account of the death of another person are entitled to their own annuity

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Concurrent Payable Benefits

- Social Security Administration (SSA)
 - OWCP compensation benefits are reduced by the amount of SSA benefits attributable to Federal service
 - OWCP Death Benefits (if applicable) would be reduced by SSA survivor benefits that are attributable to employees Federal service
- OWCP claimants may concurrently receive:
 - Veterans Disability Benefits
 - Fleet Reservist Pay
 - Military Retirement or Retainer Pay
 - Department of Justice Law Enforcement Officers' Survivors Benefits

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Job Offers

- Claimants may elect OPM benefits during job offer process or other OWCP actions to reduce compensation
 - Election of OPM benefits should not stop the Return to Work (RTW) process
 - Pursue the job offer until a decision has been issued by DOL
 - Claimant may return to OWCP at any time if OWCP does not issue termination of benefits

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Reverting to an Annuity

- High-3 based upon service and high-3 as of date of employment separation, plus all applicable COLAs
- OWCP time is not creditable towards retirement unless employee returns to work

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Return to Work – No Annuity

- OWCP rolls creditable for retirement purposes if injured worker returns to work
 - Credit for all periods in non-pay status
 - Credit during separation if return to full or part-time Federal Civilian service

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Return to Work – Annuity Continues

- OPM disability annuity has not ended due to recovery, medically or administratively, or restored to earning capacity they are subject to rules governing re-employed annuitants
 - Time on compensation rolls does not count unless work 5 additional years and elect a re-determined annuity
 - Can earn a supplemental or re-determined annuity only if retirement deductions are withheld from earnings

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Return to Work – Annuity Suspended

- Disability Annuity ends upon reemployment
 - Must establish entitlement to annuity based on employment
 - CSRS/CSRS Offset may transfer to FERS upon reemployment
 - All OWCP time creditable
 - FERS rules for retirement
 - If no transfer to FERS is made, employee must work 1 year to meet 1 out of 2 year CSRS eligibility requirement

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FERS Enhanced Annuity

- 1% annuity enhancement for certain FERS employees receiving OWCP benefit
- Qualifying periods include:
 - Qualifying periods of absence totals 2 months or more
 - A period of LWOP while employee is receiving OWCP and not working
 - Separation from service while receiving OWCP benefits, if the former employee is later reinstated in Federal service and earns title to FERS annuity
 - Period of retirement while receiving OWCP benefits in lieu of annuity payments, if annuitant is later reemployed in Federal service and earns title to a FERS annuity

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Questions?

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