



The Federal Employees Retirement Guide

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Free FERS Guide



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FERS RETIREMENT GUIDE

A Quick Reference for Federal Retirees

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Complete Guide to the Federal Employee Retirement System

The following information serves as a comprehensive resource regarding the FERS pension. This guide is designed to assist federal employees in their preparations for retirement, providing essential details in a single document. To facilitate easy navigation, utilize the dropdown menu in the table of contents. The guide covers a variety of topics, including but not limited to:

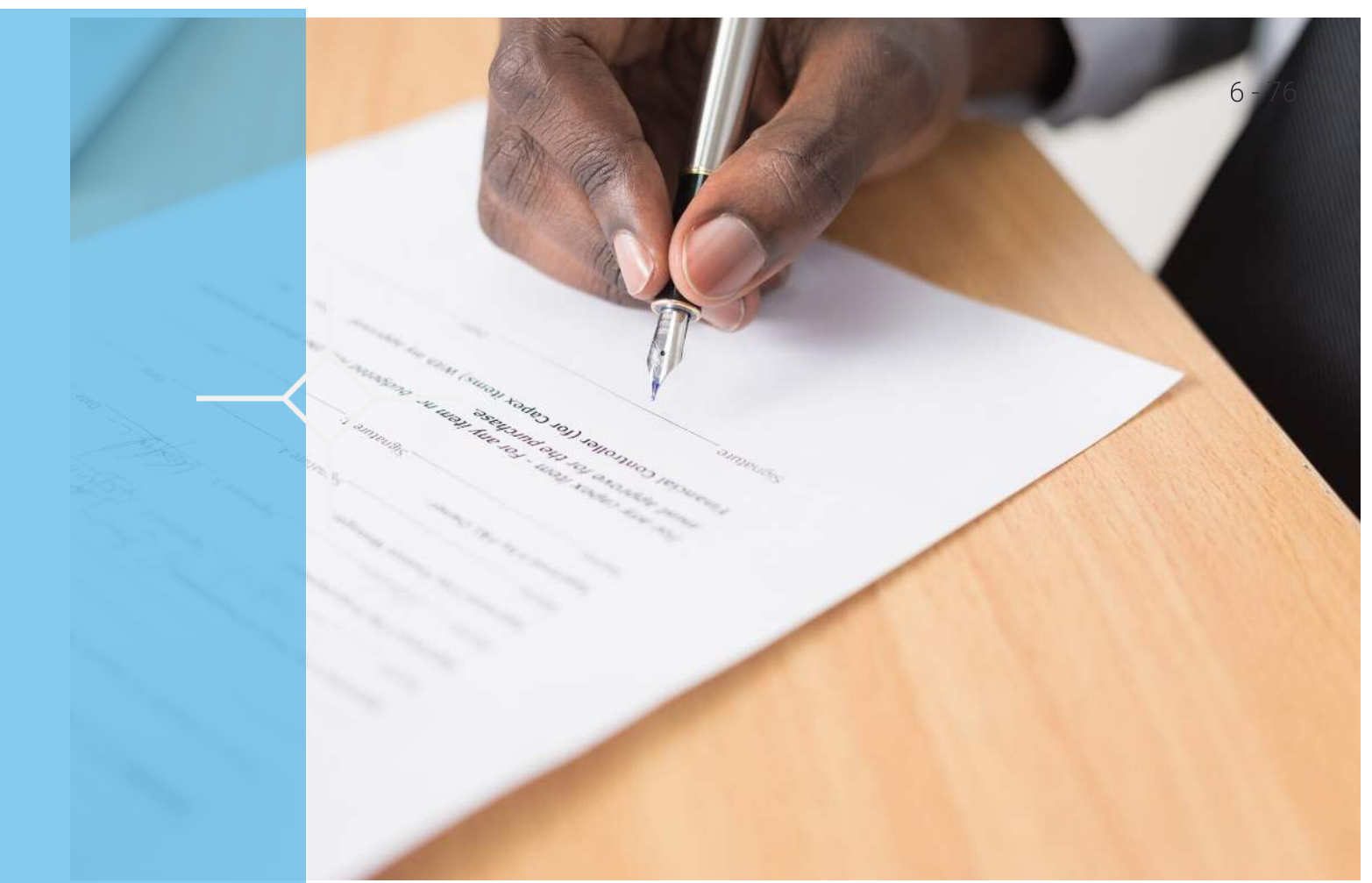
- Pension Calculations
- Costs
- RSCD vs LSCD
- Eligibility and When to Retire
- Minimum Retirement Age (MRA)
- High-3 Calculation
- Determining Creditable Service
- Military Buy-Back
- Unused Sick Leave Conversion
- Alternative Retirement Options
- COLAs
- Post-Retirement Options
- OPM Backlogs
- Best Dates to Retire



01

FERS – Three Main Components





Congress established the Federal Employees Retirement System (FERS) in 1986, with the system becoming effective on January 1, 1987. FERS acts as a retirement plan specifically designed for federal employees in the United States, replacing the older Civil Service Retirement System (CSRS). This system is structured as a three-tiered model that consists of three essential components, each playing a crucial role in the retirement planning process. The components are as follows:

1. **Basic Benefit Plan (Pension):** This component operates similarly to traditional pension plans, providing federal employees under FERS with a defined benefit. This benefit is calculated based on the employee's years of service, their highest three years of salary (high-3), and a specific multiplier formula. Upon retirement, this portion guarantees a monthly annuity for the lifetime of the retiree.
2. **Thrift Savings Plan (TSP):** The **TSP** represents a defined contribution plan that enables federal employees to save for retirement through a tax-advantaged account. The Federal Government contributes a mandatory 1% of the employee's basic pay, along with a match of up to 4% based on the employee's contributions. Employees have the flexibility to choose how to invest their TSP contributions among a variety of investment options.
3. **Social Security:** Employees participating in FERS also contribute to the Social Security system, with deductions taken from their salaries. The benefits received from Social Security are contingent upon the individual's earnings and work history, providing an additional layer of financial security in retirement.

The overarching aim of FERS is to provide federal employees with a well-rounded retirement package that encompasses a guaranteed pension, personal savings through the TSP, and Social Security benefits. The integration of these three components is thoughtfully designed to create a steady income stream for retirees, ensuring financial stability in their post-employment years. This guide will focus on the FERS basic benefit plan, also referred to as the FERS pension.

02

FERS is Not Created Equally for Everyone





For those who entered federal service after 2014, it is important to note that you are contributing significantly more to the same retirement system compared to earlier employees. New FERS employees now pay 4.4% of their salary for the same pension that previously only required a contribution of 0.8%. As a consequence, individuals who started their federal employment after 2014 face an overall deduction of 12.05% from their paychecks, which funds not only FERS but also legacy retirement systems.

The FERS system has distinct categories for employees based on their start dates:


- FERS: Employees who entered service between January 1, 1987, and December 31, 2012, contribute 0.8% to FERS.
- FERS-RAE (Revised Annuity Employees): Those who began service between January 1, 2013, and December 31, 2013, contribute 3.1% to FERS.
- FERS-FRAE (Further Revised Annuity Employees): Employees who entered service on or after January 1, 2014, contribute 4.4% to FERS. Starting in January 2026, these contributions will gradually increase to the full 4.4% over a two-year period. However, law enforcement officers and certain related groups will be exempt from these increased pension contribution rates.

The total deductions for FERS employees encompass various components, including contributions to FERS, Social Security, and Medicare. While employees contribute a portion of their salary, employers also make contributions on behalf of their employees, specifically 6.2% for Social Security and 1.45% for Medicare:



- FERS: 0.8% to FERS, 6.2% to Social Security, and 1.45% to Medicare, resulting in a total contribution of 8.45%.
- FERS-RAE: 3.1% to FERS, 6.2% to Social Security, and 1.45% to Medicare, leading to a total of 10.75%.
- FERS-FRAE: 4.4% to FERS, 6.2% to Social Security, and 1.45% to Medicare, culminating in a total of 12.05%.

Confirm Your Retirement Service Computation Date (RSCD)



FEDERAL EMPLOYEES RETIREMENT SYSTEM

Certified Summary of Federal Service
Federal Employees Retirement System

Office of Personnel Management
5 CFR Part 841

Information for the Agency

- A certified copy of this form must accompany the employee's *Application for Immediate Retirement (SF 3107)*.
- This form may also be used:
 - for retirement counseling purposes
 - to respond to an employee's request for a record of creditable service
- See the CSRS and FERS Handbook for Personnel and Payroll Offices for detailed instructions for completion and disposition of this form.

Instructions for the Employee

- Your employing office will complete and certify this form for you.
- Review this form carefully. Be sure it contains all of your service.
- Complete Section E, Employee's Certification, and return the form to your employing office.

Section A - Identification

1. Name of employee (last, first, middle)	2. Date of birth (mm-dd-yyyy)	3. Social Security Number
4. List all other names used (include name, AKA, spelling variants)	5. Other birth dates used	6. Military service number
7. Service computation date for retirement purposes		

8a. Did this employee elect to transfer to FERS?
 No Yes, give effective date of election:

8b. If the employee elected to transfer to FERS, is the employee entitled, according to your records, to have part of the FERS service computed under CSRS rules?
 Yes No

9a. Does the applicant receive military retired pay?
 Yes (Attach a copy of the applicant's military retired pay order, if available, and complete 9b.)
 No

9b. If yes, has the applicant waived military retired pay to credit military service for FERS retirement?
 Yes (Attach a copy of the military finance center's letter to the employee accepting waiver, if available.)
 No (Exclude cases where a waiver is not necessary.)

Section B - Verified Service History Documented in Official Personnel Records

Federal agency or military service branch	Appointment, separation, or conversion dates for civilian and active honor able military service		Name of retirement system *	Remarks and non-creditable time **
	From (mm-dd-yyyy)	To (mm-dd-yyyy)		
	From	To		

* Give details of creditable civilian service not subject to retirement deductions in Section C.

** In Remarks, show if CSRS service on or after January 1, 1983, is "regular" CSRS or CSRS Offset. Indicate if service is part-time. If service was performed on a WAE or intermittent basis, show the number of days worked in "Remarks." If the number of days worked is not available, then show the number of hours worked.

CSRS/FERS Handbook for Personnel and Payroll Offices

3/07-08
Previous editions are not usable.

Standard Form 307-1
Revised May 2014



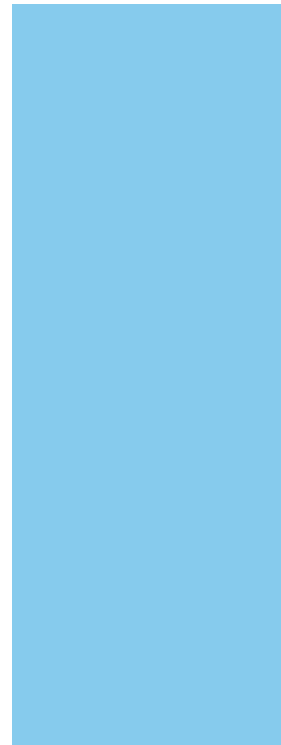





The Retirement Service Computation Date (RSCD) is a crucial date used for calculating your federal years of service, which in turn affects your pension calculation. It's imperative to distinguish between the RSCD and the Leave Service Computation Date (LSCD) found on your leave and earnings statement. While the RSCD and LSCD often appear the same, they may not necessarily be identical, and it is prudent to verify this. Differences can arise due to various reasons, including:

- Breaks in service
- Military time
- Entering service with higher per-pay-period leave

Upon retirement, the Office of Personnel Management (OPM) will review all your SF-50 forms to confirm your RSCD after you submit your retirement paperwork. To verify your creditable service time, you can complete and submit an [SF-3107](#), specifically referring to page 9 of the form, which is titled "Certified Summary of Creditable Service." It is advisable to confirm your RSCD well in advance of your retirement date to avoid any unexpected issues.



03

How to Retire

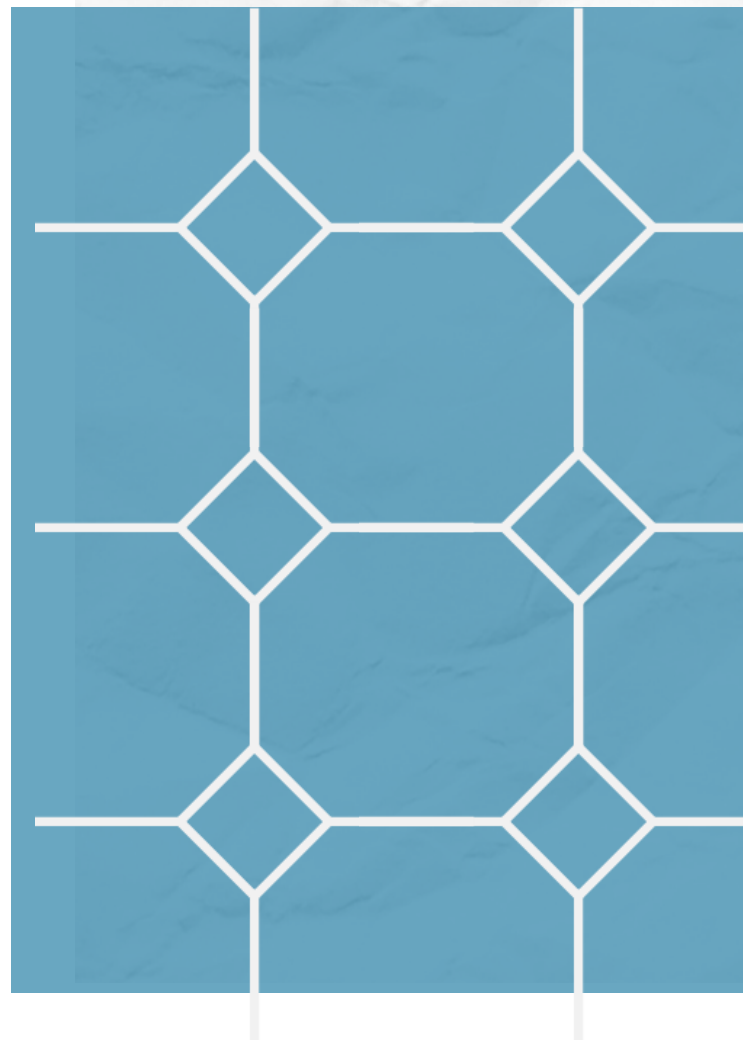
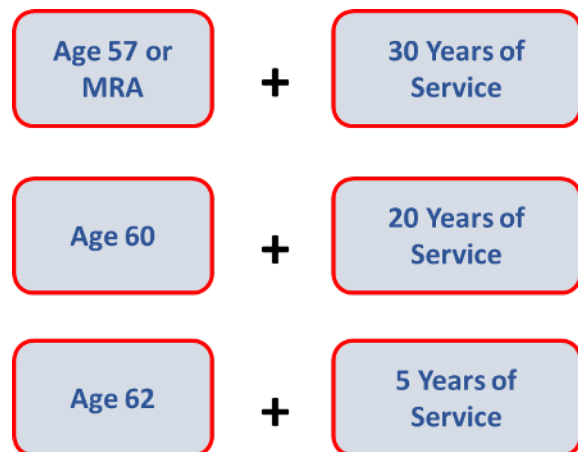


04

Eligibility to Retire on Immediate Unreduced Pension



An immediate retirement benefit refers to a pension that commences within 30 days of your departure from federal service. To qualify for this benefit, you must meet specific age and service requirements. If you choose to retire at your Minimum Retirement Age (MRA) with a minimum of 10 years of service yet less than 30 years, your pension will be subject to a reduction of 5% for each year you are under the age of 62, unless you have at least 20 years of service, in which case the benefit can begin when you reach age 60 or later.



05

Minimum Retirement Age (MRA) is Dependent on Birth Year





The Minimum Retirement Age (MRA) is a significant factor in determining when you can retire and is based on your birth year. Understanding your MRA is essential for planning your retirement effectively. For those looking to retire early, specific eligibility conditions apply, particularly in cases of involuntary separation or voluntary separations related to major reorganizations or reductions in force. To qualify for early retirement under these circumstances, you must meet the following criteria:

AgeYears of Service

5020

Any Age..... 25



06

Deferred Retirement



Deferred retirement refers to the postponement of benefit payments until certain criteria are satisfied. If you leave federal service before fulfilling the age and service requirements necessary for immediate retirement benefits, you may still qualify for deferred retirement. To be eligible, you must have accrued a minimum of five years of creditable civilian service. You can begin receiving benefits when you reach one of the following ages:

If you retire at your MRA with at least 10 years but fewer than 30 years of service, your benefit will be reduced by 5% for every year you are under the age of 62, unless you have 20 years of service, allowing your benefit to start when you reach age 60 or older.

07

Disability Retirement



Disability retirement under the Federal Employees Retirement System (FERS) has specific annuity requirements that must be met. These requirements are crucial for employees who find themselves unable to perform their job duties due to a medical condition. To qualify for disability retirement, the employee must be disabled while employed in a FERS position, and the disability must stem from an illness or injury that prevents useful and efficient service in their current role. Importantly, the disability must be expected to last for at least one year. Additionally, the employee's agency must certify that it cannot accommodate the disabling medical condition in the current position and must demonstrate that the employee has been considered for any vacant positions within the same agency at the same grade or pay level, and within the same commuting area, for which they are qualified for reassignment.

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Eligibility Information



To qualify for retirement benefits under FERS, specific eligibility criteria must be met, particularly concerning age and years of service. The following outlines the basic requirements:

Age..... Years of Service

Any Age.....18 months



09

Special Requirements



To be eligible for disability retirement, it is essential that the disability occurs while the employee is engaged in a position subject to FERS. The cause of the disability must be a disease or injury that hampers the employee's ability to perform effectively in their current job. Furthermore, the disability should be anticipated to last for a minimum of one year. The employing agency must provide certification that it cannot accommodate the employee's disabling medical condition within the current position.

Additionally, they must demonstrate that the employee has been considered for any available positions within the same agency at the same grade or pay level, within the same commuting area, for which they qualify for reassignment.



10

FERS – Three Main Components



FERS Disability Requirements

The first requirement is that the agency must certify its inability to accommodate the employee's condition. This ensures that the employee has explored all possible options within the agency before pursuing disability retirement. Secondly, employees must apply for Social Security Disability, although approval for this is not a prerequisite for FERS disability retirement.



The amount received as a disability check is structured as follows. For the first 12 months, the employee will receive 60% of their high-3 salary, which is the average of their highest 36 months of consecutive earnings, with a 100% offset for Social Security Disability. After the initial year, this amount is adjusted to 40% of the high-3 salary, with a 60% offset for Social Security Disability. Once the employee reaches the age of 62, the normal FERS pension calculation applies, but the time spent on disability will count towards their service years.

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High-3 Calculation



Pay Included in the High-3	Pay Not Included
Regular Pay	Bonuses
Locality Pay	Cash Awards
Law Enforcement Availability Pay (LEAP)	Regular Overtime
Administratively Uncontrollable Overtime (AUO)	Retention Pay
Premium Pay	Overseas COLA
Market Pay	Military Pay
Environmental Pay (for wage grade only)	
Night Differential Pay (for wage grade only)	



The High-3 salary is defined as the average of the highest three consecutive years of salary. For the majority of employees, this will typically be the last three years of service. However, it is essential to understand that not all forms of income are considered in this calculation. Certain pay components, such as bonuses or overtime, may be excluded, while base salary is included. To gain a comprehensive understanding of what is and isn't included in the High-3 calculation, refer to the detailed guidelines available at [this link](#).

Creditable Service Calculation

The calculation of creditable service includes several key components that contribute to the total service time. Firstly, it encompasses the actual service time accrued from work. Additionally, any unused sick leave can be converted into service credit, which can significantly enhance the total calculation. Military service time can also count towards civilian service, provided that the employee has made the necessary deposits to account for this time. Other components include redeposit service, which refers to any refunded pension contributions made during a leave of absence, and non-deductible service, which pertains to federal service prior to January 1, 1989, where contributions to FERS were not made but can be bought back.



For those looking to buy back military time, it is advisable to consult the guidelines on [Military Service Deposit Rules for FERS Service Credit](#) to ensure proper compliance and maximize benefits.

Special Note for Active & Reserve Military

Retired military personnel who receive pensions have the option to buy back their military service time, which can increase their total federal civilian creditable service. This option is often financially beneficial, especially for those who retired from military service at a lower salary but have since secured a much higher salary in federal employment. It is advisable to perform a detailed cost-benefit analysis to determine whether buying back military time is advantageous compared to not doing so.



	Years	Months	Days
Creditable Service	30	1	12
Unused Sick Leave		6	27
	30	7	39
Total Service Time	30	8	9

There are additional considerations for retired reservists, who can make military deposits without jeopardizing their military pension. Combat time is also eligible for buyback, as is time spent at a Military Academy.

A common misconception is that one will lose their military pension immediately upon buying back military time. This statement is false; the military pension will only cease once the individual begins to receive an immediate pension from FERS.

Sick Leave Will Increase FERS Pension for Life

All unused sick leave is converted into months and days of service using the 2087 Chart, which is an essential tool in the calculation process. The converted sick leave time is then added to the total service time, enhancing the overall pension benefit. Notably, any days exceeding 30 will count as an additional month of service, while leftover days beyond the initial calculation will be discarded and not factored into the total. For instance, if an employee has accrued 6 months and 27 days of unused sick leave, it translates into increased creditable service time. However, any excess days over 30, such as 9 days in this example, will be forfeited and will not contribute to the pension.

In summary, calculating creditable service involves a combination of civilian time, military time, and unused sick leave, all of which are vital for determining the final pension amount.

	Years	Months	Days
Creditable Service	30	1	12
Unused Sick Leave		6	27
Military Service	4	0	0
	34	7	39
Total Service Time	34	8	9

Table of Converting Unused Sick Leave Into Additional Service

Months	0	1	2	3	4	5	6	7	8	9	10	11
Days												
0	0	174	348	522	696	870	1,044	1,217	1,391	1,565	1,739	1,913
1	6	180	354	528	702	875	1,049	1,223	1,397	1,571	1,745	1,919
2	12	186	360	533	707	881	1,055	1,229	1,403	1,577	1,751	1,925
3	17	191	365	539	713	887	1,061	1,235	1,409	1,583	1,757	1,931
4	23	197	371	545	719	893	1,067	1,241	1,415	1,589	1,762	1,936
5	29	203	377	551	725	899	1,073	1,246	1,420	1,594	1,768	1,942
6	35	209	383	557	731	904	1,078	1,252	1,426	1,600	1,774	1,948
7	41	215	388	562	736	910	1,084	1,258	1,432	1,606	1,780	1,954
8	46	220	394	568	742	916	1,090	1,264	1,438	1,612	1,786	1,960
9	52	226	400	574	748	922	1,096	1,270	1,444	1,618	1,791	1,965
10	58	232	406	580	754	928	1,102	1,275	1,449	1,623	1,797	1,971
11	64	238	412	586	760	933	1,107	1,281	1,455	1,629	1,803	1,977
12	70	244	417	591	765	939	1,113	1,287	1,461	1,635	1,809	1,983
13	75	249	423	597	771	945	1,119	1,293	1,467	1,641	1,815	1,989
14	81	255	429	603	777	951	1,125	1,299	1,473	1,646	1,820	1,994
15	87	261	435	609	783	957	1,131	1,304	1,478	1,652	1,826	2,000
16	93	267	441	615	789	962	1,136	1,310	1,484	1,658	1,832	2,006
17	99	273	446	620	794	968	1,142	1,316	1,490	1,664	1,838	2,012
18	104	278	452	626	800	974	1,148	1,322	1,496	1,670	1,844	2,018
19	110	284	458	632	806	980	1,154	1,328	1,502	1,675	1,849	2,023
20	116	290	464	638	812	986	1,160	1,333	1,507	1,681	1,855	2,029
21	122	296	470	644	817	991	1,165	1,339	1,513	1,687	1,861	2,035
22	128	302	475	649	823	997	1,171	1,345	1,519	1,693	1,867	2,041
23	133	307	481	655	829	1,003	1,177	1,351	1,525	1,699	1,873	2,047
24	139	313	487	661	835	1,009	1,183	1,357	1,531	1,704	1,878	2,052
25	146	319	493	667	841	1,015	1,189	1,362	1,536	1,710	1,884	2,058
26	151	325	499	673	846	1,020	1,194	1,368	1,542	1,716	1,890	2,064
27	157	331	504	678	852	1,026	1,200	1,374	1,548	1,722	1,896	2,070
28	162	336	510	684	858	1,032	1,206	1,380	1,554	1,728	1,902	2,075
29	168	342	516	690	864	1,038	1,212	1,386	1,560	1,733	1,907	2,081

12

How to Convert Unused Sick Leave

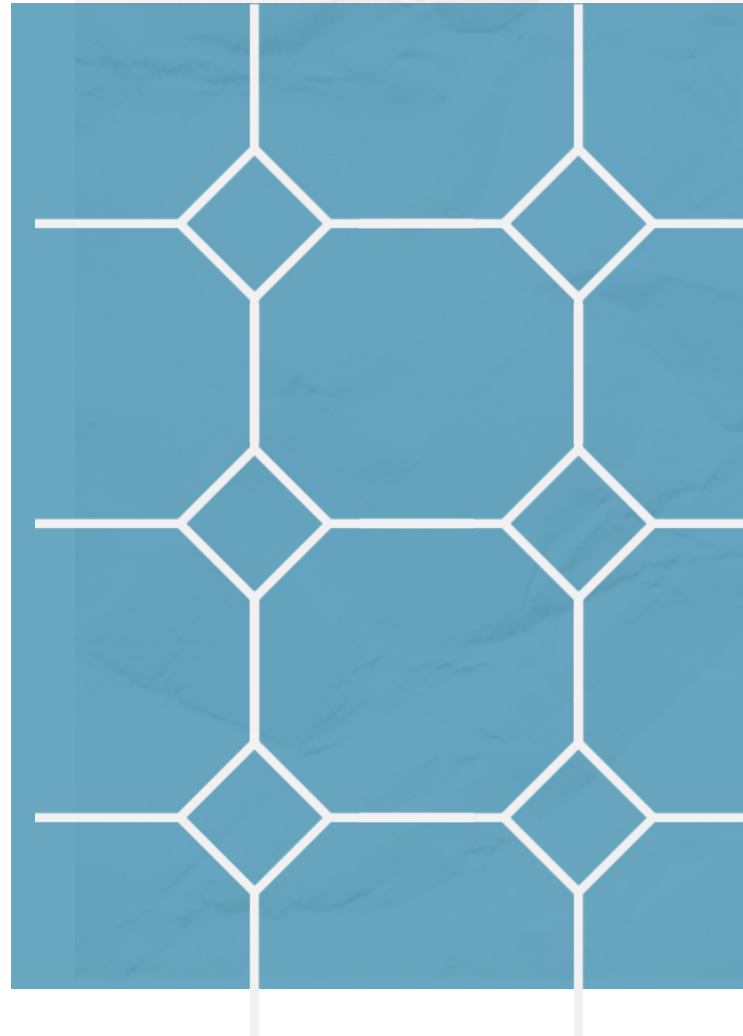


The 2087 chart is utilized to convert unused sick leave into creditable service. To effectively use this chart, begin by determining the total amount of unused sick leave. Next, locate this figure on the chart while rounding down to the nearest whole number. This will allow you to find the corresponding total months in the designated column and the days in the appropriate row. This systematic approach ensures accurate calculations when converting sick leave into service time.



Table of Converting Unused Sick Leave into Additional Service

Months	0	1	2	3	4	5	6	7	8	9	10	11
0	0	174	340	522	696	870	1,044	1,217	1,391	1,565	1,739	1,913
1	0	180	354	528	702	875	1,049	1,223	1,397	1,571	1,745	1,919
2	12	186	360	534	707	881	1,055	1,229	1,403	1,577	1,751	1,925
3	24	192	366	540	713	887	1,061	1,235	1,409	1,583	1,757	1,931
4	36	197	371	545	719	893	1,067	1,241	1,415	1,589	1,763	1,936
5	48	203	377	551	725	899	1,073	1,246	1,420	1,594	1,768	1,942
6	60	209	383	557	731	904	1,078	1,252	1,426	1,600	1,774	1,948
7	72	215	388	562	736	910	1,083	1,258	1,432	1,606	1,780	1,954
8	84	220	394	568	742	916	1,090	1,264	1,438	1,612	1,786	1,960
9	96	226	400	574	748	922	1,096	1,270	1,444	1,618	1,792	1,965
10	108	232	406	580	754	928	1,102	1,275	1,449	1,623	1,797	1,971
11	120	238	412	586	760	933	1,107	1,281	1,455	1,629	1,803	1,977
12	132	244	417	591	765	939	1,113	1,287	1,461	1,635	1,809	1,983
13	144	249	423	597	771	945	1,119	1,293	1,467	1,641	1,815	1,989
14	156	255	429	603	777	951	1,125	1,299	1,473	1,646	1,820	1,994
15	168	261	435	609	783	957	1,131	1,304	1,478	1,652	1,826	2,000
16	180	267	441	615	789	962	1,136	1,310	1,484	1,658	1,832	2,006
17	192	273	446	620	794	968	1,142	1,316	1,490	1,664	1,838	2,012
18	204	278	452	626	800	974	1,148	1,322	1,496	1,670	1,844	2,018
19	216	284	458	632	806	980	1,154	1,328	1,502	1,675	1,849	2,024
20	228	290	464	638	812	986	1,160	1,333	1,507	1,681	1,855	2,029
21	240	296	470	644	817	991	1,165	1,339	1,513	1,687	1,861	2,035
22	252	302	475	649	823	997	1,171	1,345	1,519	1,693	1,867	2,041
23	264	307	481	655	829	1,003	1,177	1,351	1,525	1,699	1,873	2,047
24	276	313	487	661	835	1,009	1,183	1,357	1,531	1,704	1,878	2,053
25	288	319	493	667	841	1,015	1,189	1,362	1,536	1,710	1,884	2,058
26	300	325	499	673	846	1,020	1,194	1,368	1,542	1,716	1,890	2,064
27	312	331	504	678	852	1,026	1,200	1,374	1,548	1,722	1,896	2,070
28	324	336	510	684	858	1,032	1,206	1,380	1,554	1,728	1,902	2,075
29	336	342	516	690	864	1,038	1,212	1,386	1,560	1,733	1,907	2,081



13

Calculating Your FERS Pension Amount





$$\text{High-3 Salary} \times \text{Creditable Years of Service} \times \text{Multiplier} = \text{GROSS Annual Pension}$$

Basic Calculation

The basic pension calculation applies to individuals who meet specific criteria. This includes those retiring under the age of 62 with any number of years of service or those retiring after age 62 but with less than 20 years of service. This calculation is crucial for understanding the expected pension benefits upon retirement.

For a simplified overview and personalized guidance, consider reaching out to us at [Malo Consulting FERS advice](#), where we can provide tailored assistance.

$$\text{High-3 Salary} \times \text{Creditable Years of Service} \times 1\% = \text{GROSS Annual Pension}$$

Bonus Calculation

The bonus calculation applies to individuals who retire at age 62 or older and have a minimum of 20 years of service. This calculation is significant as it results in higher pension benefits compared to the basic calculation.

$$\begin{array}{ccccccc}
 \text{High-3 Salary} & \times & \text{Creditable Years of Service} & \times & 1.1\% & = & \text{GROSS Annual Pension}
 \end{array}$$

Basic (1%) vs. Bonus Calculation (1.1%) – The 10% Bonus

The choice regarding when to retire—specifically before age 60 or after age 62—can significantly impact your retirement benefits. The example below illustrates the increase in pension benefits that can be achieved simply by retiring after age 62 while maintaining the same high-3 salary and years of service.

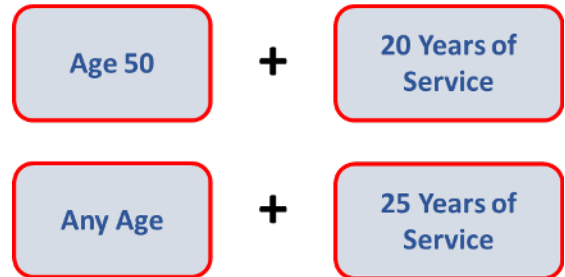
Age 60	\$120,000 High-3	×	1%	×	20 Years Service	=	\$24,000 Annual or \$2,000 per Month
Age 62	\$120,000 High-3	×	1.1%	×	20 Years Service	=	\$26,400 Annual or \$2,200 per Month



Special Provision Employees

Special Provision Employees are subject to distinct rules regarding their retirement, including a different Minimum Retirement Age (MRA), service requirements, and accrual multipliers. This category encompasses specific roles, such as Law Enforcement Officers (LEOs), Fire Fighters, and Air Traffic Controllers, all of whom may have unique retirement benefits and eligibility criteria.

These Special Provision Employees must have a minimum of 20 years of service in their respective roles to qualify for an immediate unreduced pension. The Mandatory Retirement Age varies, with LEOs and Fire Fighters having an MRA of 57, while Air Traffic Controllers have an MRA of 56.



Calculating the pension for Special Provision Employees involves distinct formulas that take into account their unique service conditions and retirement ages.



Example: Age 55 LEO, High 3 \$120,000, 23 years of service

- First 20 year: $\boxed{\$120,000 \text{ High-3}} \times \boxed{1.7\%} \times \boxed{20 \text{ Years Service}} = \boxed{\$40,800 \text{ Annual}}$
- Years over 20: $\boxed{\$120,000 \text{ High-3}} \times \boxed{1\%} \times \boxed{3 \text{ Years Service}} = \boxed{\$3,600 \text{ Annual}}$
- Total Pension: $\boxed{\$40,800 \text{ Annual}} + \boxed{\$3,600 \text{ Annual}} = \boxed{\$44,400 \text{ Annual or } \$3,700 \text{ per Month}}$

$$\boxed{\text{High-3 Salary}} \times \boxed{\text{First 20 Years of Creditable Service}} \times \boxed{1.7\%} = \boxed{\text{GROSS Annual Pension}}$$

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Alternative Retirement Options



There are various pathways available for retiring that do not necessarily require meeting standard eligibility criteria. These include MRA + 10, Deferred or Postponed Retirement, Early Out (VERA), and Disability Retirement. Each option serves different needs and circumstances, allowing federal employees to tailor their retirement plans according to their individual situations.

- MRA + 10
- Deferred / Postpone Retirement
- Early Out (VERA) – Relaxed Eligibility
- Disability



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MRA + 10





If an employee decides to retire at their Minimum Retirement Age (MRA) with at least 10 years of service but fewer than 30 years, the pension benefit will be reduced by 5% for every year under 62. This penalty is important to consider for those contemplating retirement at MRA.

Retiring after reaching MRA with at least 10 years of service will incur a penalty, specifically:

- The pension will be reduced by 5% for each year the individual receives an immediate pension before reaching age 62.
- However, employees will remain eligible to retain FEHB and FEGLI benefits during retirement.

For instance, consider an employee with 15 years of service who chooses to retire at the MRA of age 57 with an average high-3 salary of \$100,000. The full pension calculation would take into account these factors to arrive at the final amount.

$$\begin{array}{c} \$100,000 \\ \text{High-3} \end{array} \times \begin{array}{c} 1\% \end{array} \times \begin{array}{c} 15 \text{ Years} \\ \text{Service} \end{array} = \begin{array}{c} \$15,000 \text{ Annual or} \\ \$1,250 \text{ per Month} \end{array}$$

The pension after reduction

$$\begin{array}{c} \$15,000 \\ \text{Full Penion} \end{array} - \left(\begin{array}{c} 5\% \end{array} \times \begin{array}{c} 5 \text{ Years} \\ \text{Until 62} \end{array} \right) = \begin{array}{c} \$11,250 \text{ Annual or} \\ \$937.50 \text{ per Month} \end{array}$$

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Deferred & Postponed Retirement





If an employee leaves federal service prior to fulfilling the age and service requirements necessary for immediate retirement benefits, they may still qualify for deferred retirement benefits. To be eligible for deferred retirement, an employee must have completed a minimum of 5 years of creditable civilian service. Benefits can be accessed upon reaching certain age milestones, including:

- 62 with 5 years of service
- 60 with 20 years of service
- MRA with 30 years of service

Opting for deferred or postponed retirement allows individuals to avoid the 5% penalty reduction associated with early retirement. This means that employees can delay their pension, receiving it at a later date without incurring penalties. It is critical to understand that deferred versus postponed retirement pertains to when an employee leaves service. In essence, deferred retirement occurs if the employee leaves service before reaching MRA, while postponed retirement applies to those who depart after MRA.

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Changes for 2026



The Congressional Research Service (CRS) has recently issued an outline detailing proposed changes to federal employees' retirement benefits, which are being discussed as part of a budget proposal that has passed through the House Committee on Oversight and Government Reform. While it remains uncertain whether these proposals will become part of the final budget legislation, it is essential for federal employees and retirees to stay informed about the potential implications.



18

Increase in FERS Employee Contribution Requirements



Currently, the law stipulates that employees covered by FERS and first hired before 2013 must contribute 0.8% of their salary. Those hired (or rehired with less than five years of service) in 2013 contribute 3.1% of their pay, while employees hired (or rehired with less than five years of service) after 2013 must contribute 4.4% of their salary. However, under the committee's proposal, the contribution rate for all FERS employees would be raised to 4.4%, applying to those hired both before and during 2013. This increase would be phased in starting in January 2026, gradually reaching the full 4.4% over a two-year period. An important exception is made for law enforcement officers (LEOs) and related groups, who would be exempt from these pension contribution increases.

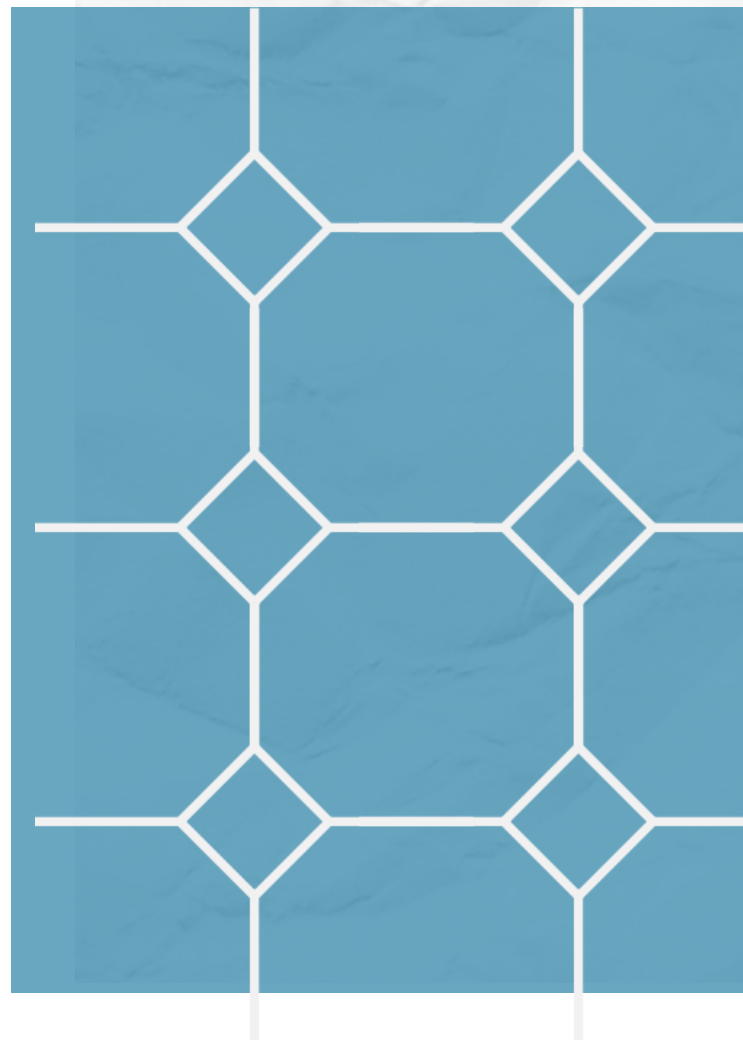


19

Elimination of the FERS Annuity Supplement



The current law allows certain employees under FERS to qualify for the FERS annuity supplement. This supplement is available for employees who retire before age 62, including those who retire at 55 or older with at least 30 years of service or at age 60—or in some cases, at earlier ages—with at least 20 years of service. Additionally, federal employees who retire under special provisions for LEOs and related personnel may also be eligible. The annuity supplement is designed to be equivalent to the estimated Social Security benefit accrued while employed by the federal government and is only payable until the retiree reaches age 62. The committee is proposing to remove the FERS annuity supplement for new retirees who are not yet eligible for it at the time of enactment. However, it would be preserved for individuals who are separated from service under mandatory retirement provisions, such as LEOs who are typically required to retire at age 57 and Air Traffic Controllers at age 56.



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High-5 Average Pay for Calculating CSRS and FERS Pension





Under current law, the basic annuity for FERS is calculated by multiplying the average of the highest three consecutive years of basic pay (the high-3 pay) by the benefit accrual rate and the total number of years of service. This calculation formula is consistent with the one used for the now-closed Civil Service Retirement System (CSRS). Under the FERS system, employees accrue retirement benefits at a rate of 1% per year. However, if a FERS employee has at least 20 years of service and works until at least age 62, their accrual rate increases to 1.1% for each year of service. Special provisions apply to certain employees who may accrue benefits at a rate of 1.7% for the first 20 years of service and 1.0% for any subsequent years.

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Losing Certain Benefits in Retirement



Choosing a deferred retirement means losing access to a Special Retirement Supplement (SRS), as well as benefits such as the Federal Employees Health Benefits (FEHB) and Federal Employees Group Life Insurance (FEGLI). Losing FEHB can be particularly detrimental since the Federal Government covers approximately 72% to 75% of the premium costs, even for retirees.

In contrast, a postponed retirement allows individuals to retain both FEHB and FEGLI benefits once their pension begins. However, it is crucial to note that there will be no coverage for FEHB or FEGLI during the interim period before the pension starts. Additionally, those opting for postponed retirement will also not receive the SRS during that time.

Benefits	Deferred	Postponed
Eligible for Pension	✓	✓
FERS Supplement	✗	✗
FEHB*	✗	✓
FEGLI*	✗	✓

*assuming 5 years of enrollment requirement been meet

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**“Early Out” – Voluntary
Early Retirement
Authority (VERA)**



The Voluntary Early Retirement Authority (VERA) is often misinterpreted as being similar to a Voluntary Separation Incentive Payment (VSIP), but they are fundamentally different. A VERA allows eligible employees to retire immediately with a full pension, providing financial security right from the start. In contrast, a VSIP is merely a one-time financial payment and does not offer the same long-term benefits as a VERA. Understanding these distinctions is crucial for federal employees considering retirement options. It is essential to evaluate the advantages and disadvantages of each option before making a decision.

- One of the significant advantages of VERA is that there is no 5% per year penalty for early retirement, which can greatly benefit those who are eligible. Additionally, individuals who retire under VERA can access the FERS Supplement once they reach their Minimum Retirement Age (MRA), further enhancing their financial situation. Furthermore, retirees under VERA remain eligible for Federal Employees Health Benefits (FEHB) and Federal Employees Group Life Insurance (FEGLI), ensuring continued health and life insurance coverage. These benefits make VERA an appealing option for many federal employees looking to retire early. As such, it is essential to thoroughly understand the specifics of VERA to maximize retirement benefits.

Voluntary Early Retirement Authority (VERA)

- The Voluntary Separation Incentive Payments (VSIP) also has its unique characteristics that set it apart from VERA. A VSIP typically involves a one-time payment that is usually less than \$25,000, which can provide immediate financial relief but may not be sustainable in the long term. Importantly, if an employee accepts a VSIP and is later rehired within five years, they are required to repay the incentive. Furthermore, it's crucial to note that the entire amount received as a VSIP is subject to federal taxation, which can significantly impact the net benefit received. Understanding the implications of accepting a VSIP is vital for employees considering this option for their retirement strategy.

Voluntary Separation Incentive Payments (VSIP)

The VSIP can serve as an immediate financial relief mechanism for employees who choose to separate from federal service. However, employees must be aware that if they are rehired within five years, they will be obliged to repay the VSIP, which can complicate future employment decisions. Additionally, since the payment is fully taxable, employees should plan for the tax implications that may arise in the year they receive the payment. This can affect their overall financial planning and cash flow management. Therefore, a thorough understanding of the VSIP is essential for those contemplating this retirement route.

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**Discontinued Service
Retirement Because of
an Involuntary
Separation**



Discontinued service retirement is a provision that allows federal employees who are separated involuntarily to receive an immediate annuity. This type of retirement has specific age and service requirements that differ from those associated with voluntary retirement, making it important for employees to understand their eligibility. The term "involuntary separation" refers to any separation from federal service that occurs without the employee's consent and is not due to misconduct or delinquency. Common reasons for involuntary separation include reductions in force, where positions are eliminated for budgetary reasons, or relocations that make commuting impractical for employees. It is important to note that employees who decline reasonable offers for alternative positions will not qualify for this type of retirement annuity.



If an employee was initially hired under a general mobility agreement that involves potential geographic reassignments, they may not qualify for the discontinued service annuity if their position is moved outside the commuting area. This exception underscores the importance of understanding the terms of employment agreements and mobility policies. Employees should always consider their options carefully, especially when facing potential relocations or job changes.

If an agency makes a reasonable job offer that an employee declines and subsequently resigns, that employee will not be eligible for discontinued service retirement. Similarly, if an employee is separated due to compliance issues with a directed reassignment, they also will not qualify.

It is crucial for employees to be aware of their rights and the conditions under which they can qualify for discontinued service retirement. If your agency makes a reasonable offer for a different position and you choose to resign instead, you will lose the opportunity for a discontinued service retirement annuity. Furthermore, if an agency separates an employee through adverse action procedures due to noncompliance with a reasonable reassignment, that separation will not qualify for the benefits of discontinued service retirement. Therefore, understanding eligibility criteria is essential for employees navigating their retirement options.

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**FERS Pension Receives
an Automatic Cost-of-
Living-Adjustment
(COLA)**



The FERS pension is designed to provide financial security in retirement, and one of its key features is the automatic annual cost-of-living adjustment (COLA). This adjustment occurs every January and is intended to help retirees maintain their purchasing power in the face of inflation. However, it is important to note that the COLA does not begin until the retiree reaches the age of 62, unless they are classified as a Special Provision Employee, in which case COLA benefits can start immediately upon retirement.

The COLA is calculated based on the performance of the Consumer Price Index (CPI) from the previous year, reflecting the changes in the cost of living. This adjustment is vital for retirees as it helps them manage the rising costs of goods and services over time.

It is also important to understand that FERS annuitants do not receive a full COLA that matches the CPI. Instead, there is a specific formula used to calculate the FERS COLA, which determines the percentage increase in the pension based on CPI performance. This means that while retirees can expect some increase in their pension to account for inflation, it may not fully cover the increase in living costs. Understanding how this calculation works can help retirees plan their finances more effectively and anticipate changes in their income over time. For many retirees, the COLA represents a critical component of their financial planning strategy.

CPI	COLA
≤2%	100% match
≥2% - 3%	flat 2%
>3%	1% less than CPI

If you are curious about whether you will receive a COLA immediately upon retirement, it is crucial to review the eligibility criteria and understand your situation. Many retirees may wonder what to expect in terms of payments and adjustments when they file for retirement. It is advisable to plan to file for retirement well in advance to avoid any potential delays in processing your application. Various factors, such as incorrect retirement service computation dates (RSCD) and unpreparedness in making elections regarding survivor benefits, can result in delays. Additionally, some human resources departments may only process retirement paperwork one or two months ahead of time, further emphasizing the need for early planning.

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What to Expect After Filing Application for Immediate Retirement





After submitting your application for immediate retirement, it is crucial to be prepared for the subsequent steps in the process. Plan to file for retirement as early as possible, as there are numerous factors and decisions that could potentially delay your retirement paperwork. Issues such as an incorrect RSCD or a lack of preparation in making elections for survivor benefits, FEGLI, and tax withholdings can complicate matters. Additionally, some human resources departments may only process retirement applications one or two months in advance, which could impact the timing of your retirement. Being proactive in your retirement planning can help mitigate these risks and ensure a smoother transition.

Once you have filed your retirement application, you can expect to receive interim payments until the Office of Personnel Management (OPM) has processed your paperwork. These interim payments typically amount to a portion of your estimated annuity payment, usually around 60–80% of what your finalized net payment will be for most retirees. It's worth considering that if you are not focused on maximizing your annual leave payout, it may be advantageous to select a retirement date other than December. OPM tends to experience a significant increase in retirement applications during December, which can result in delays in finalizing payment amounts for those who retire during that month.

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What Are the Best Dates to Retire?





There is a plethora of theories regarding the optimal dates to retire, but it is essential to recognize that there is no universally perfect month for retirement. However, if your goal is to maximize your annual leave payout, retiring at the end of December may be the best option. Choosing the last day of the month as your retirement date is generally advisable, as it helps prevent any gaps in income that could occur if you were to retire in the middle of the month. By retiring on the last day, you ensure that you receive a full month's pension payment, avoiding any potential loss of income that could arise from retiring mid-month.

To further illustrate this point, if you were to retire on the last day of the month, you would receive your pension payment seamlessly without any interruption. In contrast, retiring in the middle of the month could mean missing out on half a month's pension check, which can significantly affect your financial planning. Therefore, making a strategic decision about your retirement date is crucial in maintaining financial stability. For those seeking additional guidance, there are resources available that outline simple rules for selecting the best retirement dates for FERS employees.

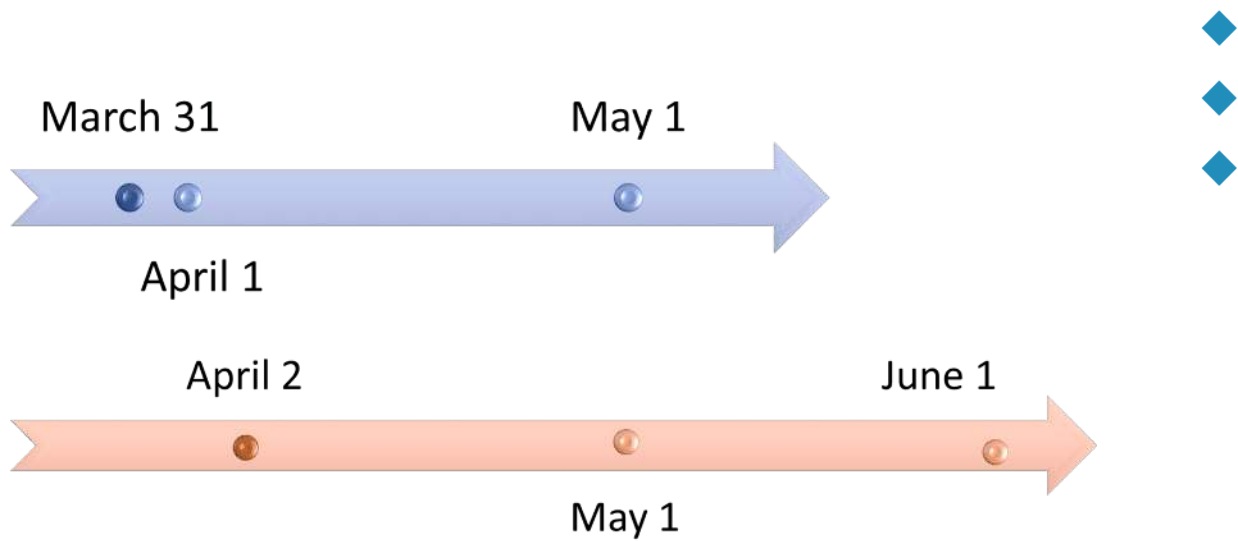
To explore these strategies further, you can refer to resources that offer insights on how to choose the best retirement dates for FERS employees. These resources can provide valuable information and practical tips to help you make informed decisions about your retirement timing. Being strategic about your retirement date can have lasting impacts on your financial situation in retirement, making it a worthwhile consideration as you plan for this significant life transition.

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Retiring 12/31 – Maximum Annual Leave Payout



Retiring on December 31st provides a unique opportunity to maximize your annual leave payout. By choosing this date, you can carry over a total of 240 hours from the previous year, along with an additional 208 hours accrued in the current year, leading to a grand total of 448 hours of annual leave. This strategy allows employees to receive a substantial payout for unused leave upon retirement, which can significantly enhance their financial cushion in retirement. Moreover, one of the additional advantages of retiring at year-end is that the annual leave payout will be taxed in the following year, which may result in a lower overall tax burden due to potentially lower income during that year.



For instance, consider a scenario where you are contemplating retiring on either March 31st or April 2nd. If you choose to retire on March 31st, you will receive an interim annuity check the following month in April, ensuring that there is no gap in your income. On the other hand, if you opt to retire on April 2nd, you will not receive your interim annuity check until May, resulting in a full month without income. This example underscores the importance of choosing the right retirement date to maintain financial stability during the transition into retirement. Thoughtful planning in this area can significantly impact your financial well-being.

FERS Retirement Guide

About the Author

Melvin A. Thomas is the founder and principal consultant of MALO Consulting LLC, a career coaching and workforce development firm dedicated to empowering recent graduates, veterans, and federal employees as they transition into skilled trades and public service careers. With extensive leadership experience across the Department of Defense and federal government, Melvin has guided teams, managed multimillion-dollar programs, and delivered training to hundreds of professionals nationwide. Drawing on years of coaching, strategic planning, and workforce development expertise, Melvin created this FERS Retirement Guide to help federal employees navigate one of the most important decisions of their careers. His mission is simple: provide clear, actionable resources that help people build confidence, plan wisely, and step into the next chapter of their lives with purpose.

About MALO Consulting LLC

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