



# **CSRS and FERS Overview**

## **June 2017**



## Retirement Systems

- Civil Service Retirement System (CSRS)
- CSRS Offset (CSRS and FICA coverage)
- Federal Employees Retirement System
- Federal Employees Retirement System-Revised Annuity Employee (RAE/FRAE)



# Retirement System

## Civil Service Retirement System (CSRS)

- CSRS Act effective August 1920
- Defined benefit
- Contributory retirement system
- Most employees pay 7% & employing agency pays 7%
- Option of paying up to 10% into Voluntary contribution account
- No Social Security taxes or TSP Matching
- Must pay Medicare tax (1.45% of pay)



## Retirement System

### **CSRS Offset (CSRS and FICA coverage)**

- 1983 Social Security Laws changed
  - SS FICA coverage for most “new” Federal employees hired > 12/31/1983 or employees rehired > 12/31/1983 after a break in retirement coverage of > one year, placed in an “interim” retirement system
- 1/1/1987, Congress created the CSRS Offset System



# Retirement System

CSRS Offset applies to Federal employees who had a break in service > year and had 5 years of creditable service as of 12/31/1986



# Retirement System

## Federal Employees Retirement System (FERS)

- Congress created the FERS effective 1/1/1987
- New system for new employees, certain rehired employees & those who elected
- 3 different sources:
  - Basic Benefit Plan
  - Social Security
  - Thrift Savings Plan



# Retirement System

## Federal Employees Retirement System- Revised Annuity Employee (FERS-RAE)

PL 112-96, "Middle Class Tax Relief and Job Creation Act" of 2012

Beginning 1/1/2013:

- **New** Federal employees will have to pay 2.3% higher employee contributions
- **New** Members of Congress & Congressional employees will pay the higher employee contributions and will receive the same retirement benefits as regular employees



# FERS-FRAE

**FERS-Further Revised Annuity Employees (FRAE)**- Section 401 of the “Bipartisan Budget Act of 2013”

Beginning 1/1/2014,

1. Employees hired after December 31, 2013, who are not excluded from FERS coverage become subject to FERS-FRAE coverage and must pay even higher employee contributions for the FERS basic benefit than FERS-RAE employees



# Retirement Application

**CSRS**  
**CSRS Offset**

Application for  
Immediate  
Retirement  
SF 2801

**FERS**  
**FERS-RAE**  
**FERS-FRAE**

Application for  
Immediate  
Retirement  
SF 3107



## Types Of Retirements

- Regular/Optional
- Early Retirement
- Disability
- Special Provisions
- Deferred
- Phased Retirement

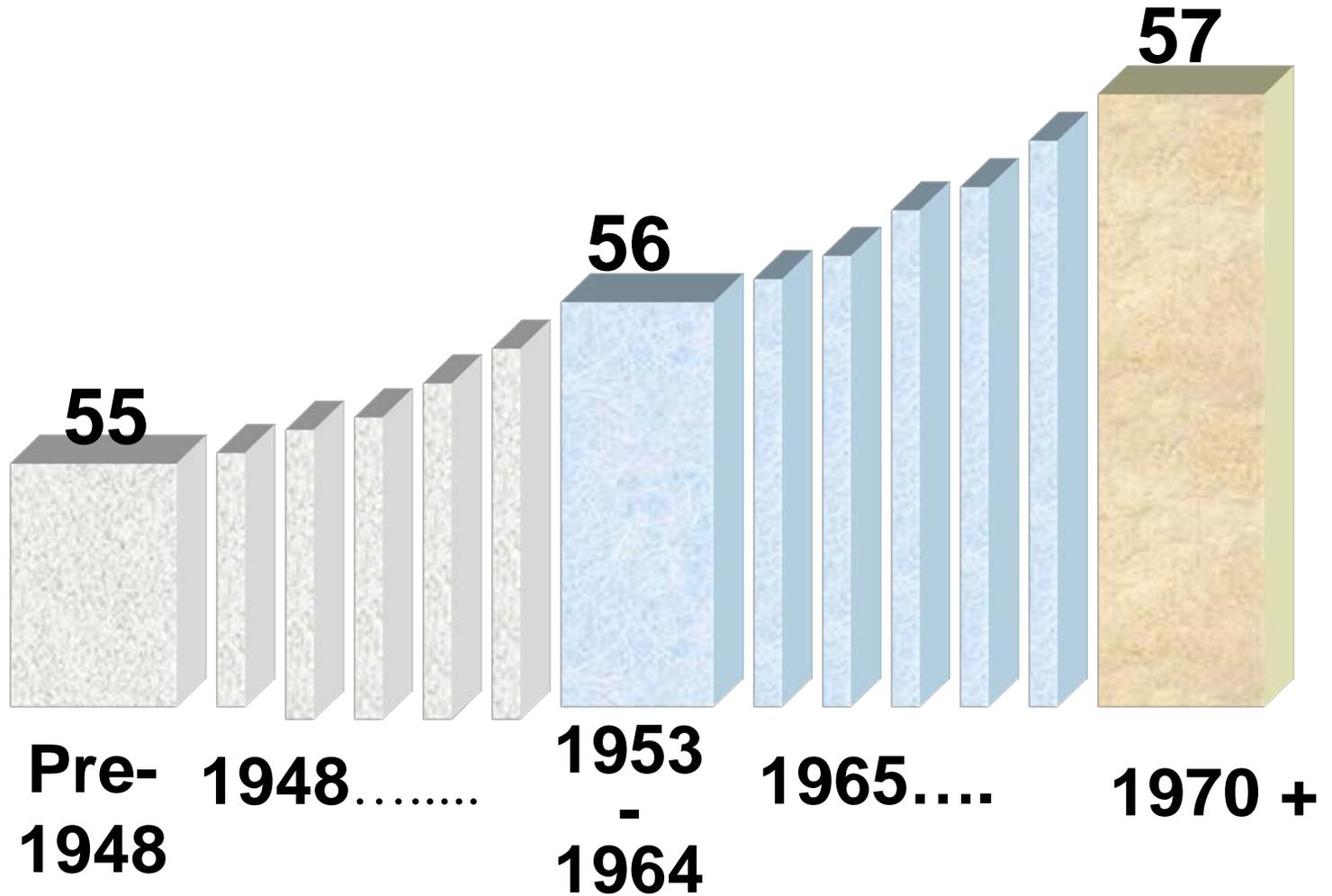


# Age and Service Requirements for Regular Retirement

<b>CSRS</b>		<b>FERS</b>	
<u>Age</u>	<u>Service</u>	<u>Age</u>	<u>Service</u>
		MRA	30 years
55	30 years	60	20 years
60	20 years	62	5 years
62	5 years	MRA	10 years



# FERS Minimum Retirement Age





# Age and Service Requirements for Early Retirement

**For both CSRS and FERS**

**Age**

**Service**

Any

25 years

50

20 years



## Additional Requirements for Early Retirement

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



# Selecting A Retirement Date

## **CSRS CSRS Offset**

Last day of the  
month

or

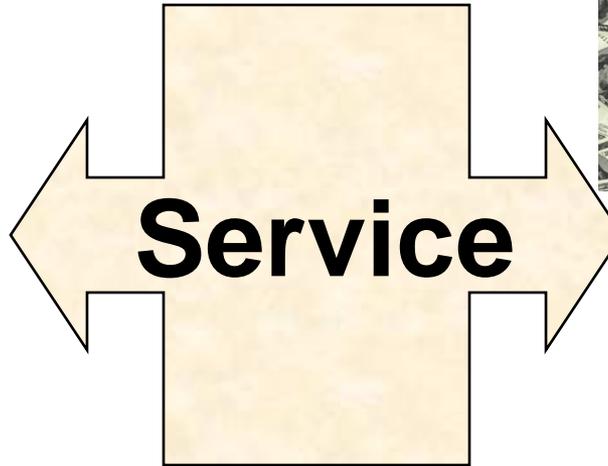
1<sup>st</sup> 2<sup>nd</sup> 3<sup>rd</sup>

## **FERS**

Last day of the  
month



# How To Credit Service



**WHEN**  
you can retire

**HOW MUCH**  
you'll get



# Amount of Creditable Service

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

## Exceptions

LWOP- 6 months

WAE

Seasonal WAE



# Crediting Military Service

- Honorable, Active Duty Service
- Military Retired Pay Considerations
- Post 1956 Considerations





## Crediting Post-1956 Military Service

### CSRS

Military deposit  
equals 7% of  
base pay plus  
interest

### FERS

Military deposit  
equals 3% of  
base pay plus  
interest



## Civilian Service Deposits

### **CSRS nondeduction service performed prior to 10-01-1982**

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



## Civilian Service Deposits

### **CSRS nondeduction service performed on or after 10-01-1982**

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



# Civilian Service Deposits

## **FERS nondeduction service performed prior to 01-01-1989**

- Creditable for eligibility and computation purposes only if a deposit is paid

## **FERS nondeduction service performed on or after 01-01-1989**

- Generally not creditable and a deposit cannot be made



# Civilian Service Deposits

## CSRS

Deposit equals  
7% of earnings  
plus interest

## FERS

Deposit equals  
1.3% of earnings  
plus interest



## Refunded Service

### **CSRS refunded service ending before 03/01/1991**

- Creditable for eligibility and computation purposes, regardless of whether or not a redeposit for the service is paid
- Annuity will be subject to an actuarial reduction



## Refunded Service

### **CSRS refunded service ending on or after 03/01/1991**

- Generally creditable for eligibility, regardless of whether or not a redeposit is paid
- Creditable for computation only if a redeposit is paid



## Refunded Service FERS

- P.L. 111-84, Section 1904 permits individuals who are subsequently reemployed to make a redeposit of the amount refunded, plus interest, and to have credit for the service reinstated
- National Defense Authorization Act 2010
- For the purpose of survivor annuities, redeposits may also be made by survivors
- Service Credit Applications SF 2803/3108



# Crediting Unused Sick Leave

## CSRS and FERS

- Sick leave may be added to the length of service used to compute an immediate annuity
- Not creditable for establishing retirement eligibility
- FERS Sick Leave
  - 50% through 12/31/2013
  - 100% after 01/01/2014



# Crediting Unused Sick Leave CSRS and FERS

## **For FERS Retirement with CSRS Component**

- 100% of sick leave at time of FERS election is added to the CSRS calculation
- Difference between total sick leave at retirement and sick leave used for CSRS component added to the FERS calculation
  - 50% until 12/31/2013
  - 100% after 01/01/2014



# How Much Will I Get?

## Annuity Computation



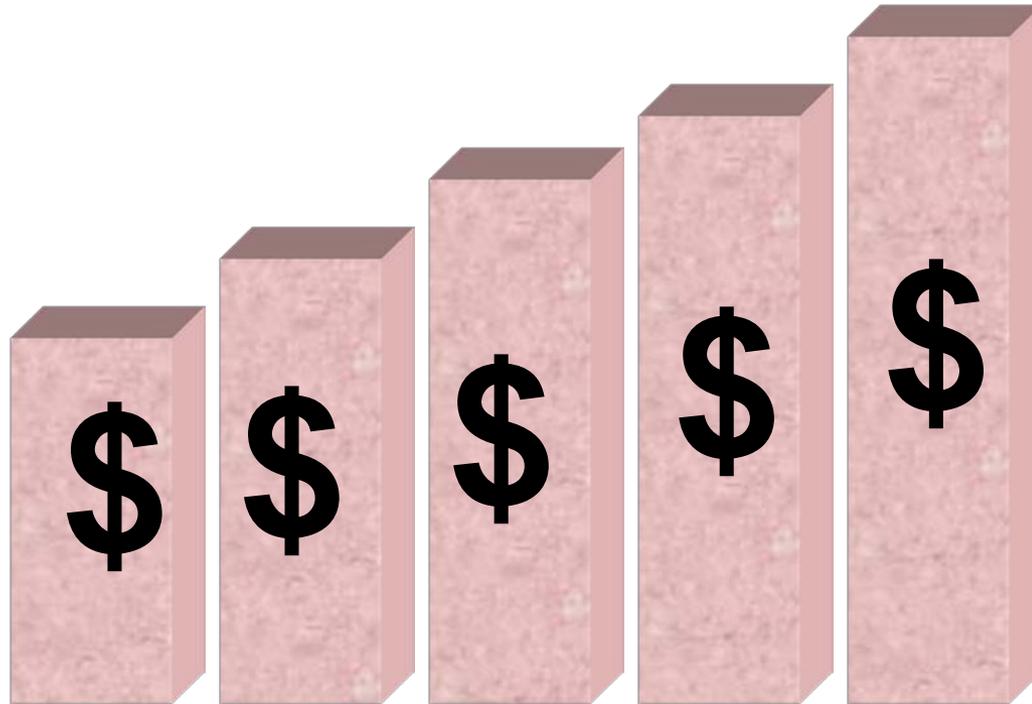


## Basic Annuity

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



# High-3 Average Salary



**3 Consecutive Years**



## Basic Pay Includes:



- Regular Pay
- Locality Pay
- Night Differential for Wage Employees
  - Premium Pay  
(for FF and LEOs)



## Basic Pay Does Not Include:

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





## General Formula

### CSRS

$1.5\% \times 5 \text{ years} +$   
 $1.75\% \times 5 \text{ years} +$   
 $2\% \times \text{service over}$   
 $10 \text{ years}$

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**Retirement  
Factor**

### FERS

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

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**Retirement  
Factor**



# General Formula

## 30 Years Total Service

$$1.5\% \times 5 = 7.50\%$$

$$1.75\% \times 5 = 8.75\%$$

$$2.0\% \times 20 = \underline{40.00\%}$$

$$56.25\%$$

$$1\% \times 30 = 30\%$$

**or**

$$1.1\% \times 30 = 33\%$$

Retirement Factor



# CSRS Calculation Example

Employee has 30 years of service and their high-3 average salary is \$98,000

$$1.5\% \text{ of } \$98,000 (\$1,470) \times 5 \text{ years} = \$ 7,350$$

$$1.75\% \text{ of } \$98,000 (\$1,715) \times 5 \text{ years} = \$ 8,575$$

$$2.0\% \text{ of } \$98,000 (\$1,960) \times 20 \text{ years} = \underline{\$ 39,200}$$

$$\text{Basic Annuity (per year)} = \$55,125$$

or



## CSRS Calculation Example

$$1.5\% \times 5 \text{ years} = 7.50\%$$

$$7.50\% \times \$98,000 = \$ 7,350$$

$$1.75\% \times 5 \text{ years} = 8.75\%$$

$$8.75\% \times \$98,000 = \$ 8,575$$

$$2\% \times 20 \text{ years} = 40.00\%$$

$$40\% \times \$98,000 = \$ 39,200$$

Basic Annuity (per year) \$ 55,125



## FERS Calculation Example

Employee, age 62, has 24 years of service and high-3 average salary of \$98,000

$$1.1\% \text{ of } \$98,000 \text{ or } \$1,078 \times 24 = \$25,872$$

or

$$1.1\% \times 24 = 26.4\%$$

$$26.4\% \times \$98,000 = \$25,872$$



# FERS Annuity With a CSRS Component

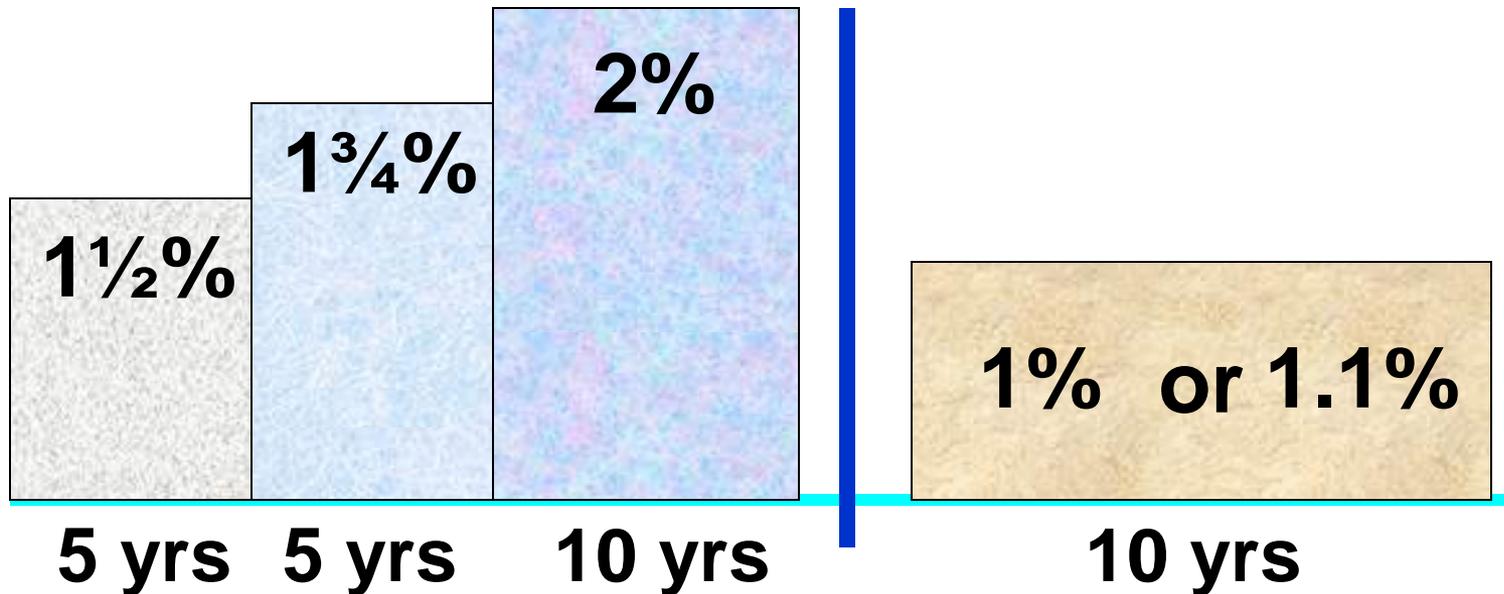
**CSRS Part - 20 years**

**FERS Part - 10 years**

**36.25%**

**+**

**10% (or 11%)**





# FERS Annuity with a CSRS Component Calculation Example

Employee, age 62, has 20 years of CSRS service, elected FERS and has 10 years FERS Service with high-3 average salary of \$98,000

CSRS Component:

$$\begin{aligned} 1.5\% \text{ of } \$98,000 (\$1,470) \times 5 &= \$ 7,350 \\ 1.75\% \text{ of } \$98,000 (\$1,715) \times 5 &= \$ 8,575 \\ 2.0\% \text{ of } \$98,000 (\$1,960) \times 10 &= \underline{\$19,600} \end{aligned}$$

$$\text{Basic Annuity} = \$ 35,525$$



# FERS Annuity with a CSRS Component Calculation Example

FERS Portion:

$$1.1\% \text{ of } \$98,000 (\$1,078) \times 10 = \$10,780$$

Total Annuity:

\$ 10,780

\$ 35,525

**\$ 46,305 per year**



# FERS Annuity Supplement

- Substitutes for the Social Security part of the total FERS benefit until age 62
- Approximates the Social Security benefit earned under FERS
- Subject to earnings test/\$16,920 for 2017
- Not subject to COLAs but does increase over time



# FERS Annuity Supplement

## To be eligible for the Supplement

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



## Reductions Applied to Basic Annuity

### CSRS

- Age
- Non-Deduction Service
- Survivor Annuity Election
- Refunded Service
- CSRS Offset

### FERS

- CSRS component, if before Age 55
- MRA + 10 Age
- Survivor Annuity Election



# CSRS Age Reduction

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





## FERS Age Reduction

- Applies if the employee retires on an MRA + 10 retirement
- Employee begins receiving annuity before age 62
- Permanent reduction equals 5% for each full year under age 62

# Reduction for Survivor Annuity

## Applies if an employee

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

# Survivor Annuity Reduction

## CSRS

$$2 \frac{1}{2} \% \times \$3600$$

+

$$10 \% \times \text{Amount of base in excess of } \$3600$$

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

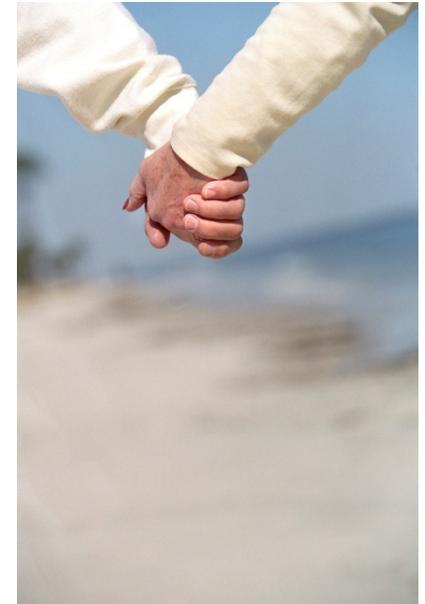
## FERS

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

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

# Insurable Interest

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



# Insurable Interest

- New regulations effective July 20, 2012
- Presumed Insurable Interest for Same Sex Domestic Partners
- The modification of the pre-existing rule now includes same-sex domestic partners in the class of persons presumed as having an insurable interest in the continued life of the employee/retiree
- June 26, 2015- Supreme Court Ruling “Marriage for All”

# Maximum Annuity

## CSRS

- 80% of the high-3 average salary
- Equivalent to 41y and 11m service
- 35 years of LEO/FF service
- Limit may be exceeded with unused sick leave credits

## FERS

There is no maximum annuity under FERS

# Returning to Government Work After Retirement

Generally, annuity continues and salary is offset by amount of annuity

## Exceptions (CSRS)

- Disability annuitants
- Dual comp waivers
- DSR
- Presidential appointments

## Exceptions (FERS)

- Disability annuitants
- Dual comp waivers

# Cost of Living Adjustments (COLAS)

## CSRS

- Begins the first December after retirement
- First COLA is prorated
- 2015- 1.7%
- 2016 NO COLA
- 2017- 0.3%

## FERS

- Generally not applied until the December after age 62

### Exceptions

- Disability
- LEO/FF
- ATC

# Cost of Living Adjustments (COLAS)

## CSRS

Equals the percent change in the Consumer Price Index (CPI)

## FERS

If the percent change in the CPI is:

- 0-2% the COLA equals the CPI increase
- 2-3% the COLA equals 2%
- Over 3% the COLA equals the change in the CPI - 1

**Retire@OPM.Gov**

# Questions

