

Federal Benefits
Questions Answered
by NARFE



FAQs About Your Federal Benefits

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NARFE supports legislation to protect the benefits and general welfare of the federal community including health care and retirement benefits. NARFE also helps its members gain a better understanding of their benefits by working in partnership with the Office of Personnel Management and other federal agencies to answer questions related to their federal benefits. Every month, NARFE addresses questions from the federal community in our magazine and on our website: www.NARFE.org.

This FREE white paper provides answers to some of the more frequent questions about benefits that we receive from federal workers and retirees.

The following are real questions received by the NARFE Federal Benefits Institute and real answers, based on the members' personal circumstances. The answers are not universal and may include information that is relevant to the correspondent's particular situation. Members frequently contact NARFE for clarification and guidance on the often confusing federal benefits rules, regulations and requirements.

Q How can I change my direct deposit for my annuity?

A Your new bank can help you complete standard form 1199A which should be available at your bank. You can make the change by mail, phone, fax or online. You will need to provide your CSA or CSF retirement claim number on your form and mail it to OPM, Retirement Operations, PO Box 440, Boyers PA 16017-0440. You can call 888-767-6738, fax the form to 724-794-6633 or make the change through your Retirement Services Online account at www.opm.gov.



Q I am a special agent with Homeland Security Investigations. I am mandated to retire in November. I would like to remain with my agency and not retire if possible. I know that I can request an extension up until the age of 60 but this is discretionary on the part of the agency. I have heard that if I do not wish to retire, my agency is required to provide me with a non-covered position. I have asked my personnel department about this but they have not yet responded.

A Unfortunately, your agency is not required to find you a position that allows you to continue federal service beyond your mandatory retirement age.

If you are a special category employee under FERS, you are correct: agency heads are authorized to exempt special category employees (such as law enforcement officers and firefighters) from mandatory separation until age 60 if it is in the public interest.

Once the date of mandatory separation is determined for a law enforcement officer or firefighter, the employing agency must notify the employee in writing of the date of separation at least 60 days in advance of the date. Without consent of the employee, the action to separate the employee is not effective until the last day of the month in which the 60-day notice expires. Most agencies will use the last day of the month in which the individual reaches his or her mandatory retirement age as the effective date for mandatory retirement.

If you are unable to obtain the special extension authority from your agency head, you can attempt to find a non-special category position to transfer to which would allow you to continue federal service until you are ready to retire. But it would be up to you to find such a position that conveys regular FERS coverage that you might transfer to. If you don't like the new job after you transfer, you can always apply for your special category retirement at any time without returning to a special category position.

Q I'm a special group employee and receive LEAP (law enforcement availability pay). This extra pay will have a nice impact on the high-3 average salary that OPM will use when computing my annuity. If I transfer to a non-special group position and lose LEAP, how will this affect my high-3 average salary?

A Your high-3 average salary can never decrease once you have achieved it. In other words, if you take a lower paying federal job and never return to the salary levels you previously reached as a special group employee, your high-3 average salary would be what it was before transferring to the non-special group position.



Q I am age 66 and still working. I know that there is a 10 percent late-enrollment penalty on top of the Medicare Part B premium for each year that you are not enrolled but could have been. But I heard that there is a special enrollment period without the penalty under certain circumstances. Please explain.

A For those over age 65 and who remain covered under employer-sponsored health insurance have a penalty-free Medicare Part B special enrollment period, which lasts for eight months after they retire. As long as you enroll in Medicare Part B during the eight-month special enrollment period (using the CMS 40B form if you had previously signed up for Medicare Part A), you would not be subject to the 10 percent penalty.

When you finally retire from federal service, your health insurance is no longer considered employer-sponsored health insurance as far as Medicare is concerned. Upon separation from federal service, you can ask your agency human resources office to certify the following form for you so you can avoid the late-enrollment penalty. If you have a spouse who is under your health insurance plan and is also older than 65, you can ask your agency to certify an additional copy of this form for him or her as well.

Request for Employment Information

www.cms.gov/Medicare/CMS-Forms/CMS-Forms/Downloads/CMS-L564E.pdf

Q I'm retired from federal service. If I change my health insurance coverage from Self and Family to Self Plus One, and I predecease my spouse, will he/she still be able to continue FEHB coverage as a survivor annuitant?

A Yes, regardless of whether you have a Self and Family or a Self Plus One FEHB plan, as long as your spouse is covered by your FEHB plan on the date of your death and as long as your spouse is eligible for a survivor benefit, your surviving spouse would be allowed to keep FEHB coverage. If you were married when you applied for your retirement, you most likely elected this survivor benefit option at that time. If you got married after you retired, you could have elected this spousal survivor benefit within two years from the date of your marriage.

Q What are the requirements for immediate retirement under the Federal Employees Retirement System? I just turned 62 and have been employed by the federal government for only four years.

A Unless you meet the criteria to qualify for a Disability Retirement, you would meet the age requirement for optional voluntary retirement at age 62, but you must have a minimum of five years of federal civilian service (creditable under FERS) in order to retire.



Q I am getting married. Will my stepchildren be eligible for coverage under FEHB?

A When you marry or remarry, you may enroll, change from Self Only to Self and Family, or change from one plan or option to another. You must submit your enrollment change from 31 days before to 60 days after the change in family status. Family members eligible for coverage under your Self and Family enrollment include your spouse (including a valid common law marriage) and children under age 26, including legally adopted children, recognized natural children, and stepchildren.

Q I worked for the government under the Federal Employees Retirement System (FERS) from 1993 to 1997. I took a refund of my retirement contributions. I was told that I could not make a redeposit for my FERS service and would not receive credit for this service if I returned to the federal government. One of my coworkers told me that this rule had changed. Is this true?

A The law changed in October 2009, and FERS employees with previous FERS service who left federal service and withdrew their FERS contributions are now eligible, upon re-entering federal service, to redeposit their withdrawn FERS contributions. You must make a full redeposit, which includes the amount of your refund plus interest. You would receive credit toward your retirement eligibility and in the computation of your FERS annuity for your previous years of service covered by the redeposit. You must return to a FERS-covered position before you can apply to pay this FERS redeposit.

Q I am considering taking a buyout of \$25,000. Would accepting a buyout affect any future federal service should I decide to return?

A Those separating under a buyout are barred from taking other federal employment for five years unless they repay the entire amount of the buyout. There are a few exceptions to the rule, and some agencies will waive the requirement to repay the buyout. Waivers are very rare, however, and you would need to contact the agency to see if that agency makes an exception.

Q Can I withdraw money from my Thrift Savings Plan (TSP) account immediately when I separate from federal service?

A It usually takes at least 30 days for your agency payroll office to notify TSP that you are no longer actively employed. TSP is unable to process any post-



separation withdrawal requests until they receive this notification from your agency. This can sometimes take up to 60 days. Once all withdrawal forms and separation data have been received by the TSP, most withdrawal requests are processed within five business days.

Q I know that I must have health insurance under the FEHB program for at least five years prior to retirement in order to carry it with me into retirement. After I retire, can I enroll in a Self and Family plan, or do I have to be enrolled in a Self and Family plan for the five years before I retire in order to continue it into retirement?

A To continue your health benefits enrollment into retirement, you must (1) have retired on an immediate annuity (that is, an annuity which begins to accrue no later than one month after the date of your final separation), and (2) have been continuously enrolled (or covered as a family member) in any FEHB Program plan (not necessarily the same plan) for the five years of service immediately preceding retirement, or if less than five years, for all service since your first opportunity to enroll. You may make changes annually during Open Season.

Q How is an annual leave buyout calculated? Is it “accumulated hours x current hourly wage?” Is it considered unearned income? I also have heard that 40 percent is taken out in taxes for this.

A Lump-sum annual leave payments are calculated using the hourly rate of basic pay you would have received had you remained on the agency's rolls. Therefore, if you were to retire before the annual pay adjustment becomes effective, any hours before that would be computed at the old rate and those after at the new rate. Any step increase that would have occurred after you retired would not be included.

For tax purposes, lump-sum payments are treated as earned income, and it's taxable in the year in which you receive the payment from your agency. Check with your agency payroll office to find out how they determine the withholding for this lump-sum payment and to find out what other deductions may be withheld from this payment. Just keep in mind, the following deductions won't be withheld: TSP, CSRS, FERS, insurance premiums and flexible spending account allotments.

Q When I retire, will my Social Security benefit be reduced if my Federal Employees Retirement System annuity is more than the limitation of \$1,580 a month?



A The Social Security earnings limit applies only to earnings from wages or self-employment—not what you receive in your annuity. In 2021, the earnings limit is \$18,960 a year, or \$1,580 a month, if you are younger than your full retirement age.

Q I will retire early in 2022 and will choose an annuity payable only during my lifetime. I will not opt for a survivor benefit for my husband. But can I still carry him under my Federal Employees Health Benefits (FEHB) program plan?

A You can continue to include him under your FEHB plan. But if you were to predecease your husband, he would lose that coverage unless he is a federal employee or retiree who would be eligible to continue that coverage in his own right.

Q I am under the Federal Employees Retirement System (FERS) with the Department of Defense. I plan to retire in December 2022 at age 61. At that time, I will have 35 years of service. I will be age 62 in February 2023. I am trying to estimate my take-home pay from Social Security and FERS. Do I have to pay federal taxes on FERS and Social Security, as well as state taxes? What about Social Security taxes and Medicare?

A You should talk to your agency retirement office and ask for an estimate of your future retirement benefit under FERS. You should also look into taking a retirement planning class that most agencies offer to their employees. (As a result of the global pandemic, agencies may be offering virtual classes in lieu of in-person events.) You can use the following web link to estimate your future benefit from Social Security: www.ssa.gov/planners/retire/Any piaApplet.html

Social Security and Medicare tax deductions are taken only from earnings acquired through wages or self-employment—not annuities or other sources of income. Unless you are disabled, you won't qualify for Medicare until you are age 65. Medicare Part A will be premium free if you paid Medicare taxes for 10 or more years of employment. If you elect to be covered by Medicare Part B, you would have to pay the premiums for it.

To find out what the taxes will be on your FERS annuity, see IRS Publication 721, Tax Guide to U.S. Civil Service Retirement Benefits, which is available at this link: www.irs.gov/pub/irs-pdf/p721.pdf. Please note, this guide is updated annually.

For tax treatment of Social Security benefits, the Social Security Administration has a fact sheet titled Taxes and Your Social Security Benefits at www.ssa.gov/planners.taxes.html.

Some states are more tax-friendly than others. Take a look at our State Tax Roundup article that we update each year in the April issue of NARFE Magazine for the latest details on state taxation of retirement income.



Since you are very close to your 62nd birthday with over 20 years of FERS service, we highly recommend that you ask your agency to prepare another retirement estimate of what your FERS annuity would look like if you stick around a couple of more months and retire after you reach the age of 62. You might be pleasantly surprised to see the significant increase that would have to your FERS annuity. FERS employees who separate from federal service on or after their 62nd birthday with over 20 years of total service credit (including any applicable unused sick leave) will receive the 1.1 percent factor in the computation of their annuity instead of the 1 percent factor that they would typically receive if they separate from federal service before the age of 62.



Q When should I start planning for retirement?

A It is never too early to start planning for retirement. The five-year period before retirement is especially important because you must have insurance coverage for five years immediately before retirement to keep it after retirement. You also may need some preliminary information to make decisions about when you can afford to retire and whether to make any necessary payments to receive credit for military or non-deduction federal civilian service or repay any retirement contribution refunds. You also should consider attending a pre-retirement seminar as soon as possible. Most agencies offer these classes for new, mid-career, and employees preparing to retire within five years. It's recommended that you take a class like this once every five years throughout your federal career. (As a result of the global pandemic, agencies may be offering virtual classes in lieu of in-person events.)



Q I will be retiring at the end of the year. I have had health insurance since I started working for the government and know that I meet the requirement to carry the insurance into retirement. Will the government continue to pay the same portion of my premiums, or will my premiums increase?

A You will be charged at the same rate as an active full time federal employee, and the government will continue to pay as much as 75 percent of your premium, depending upon which plan you have.

Premiums stay the same, but there are some other changes. First, premiums will be deducted monthly instead of biweekly. Recognize that health insurance premiums normally increase for everyone in January, following Open Season, and your coverage may change. It is important to note that premiums are deducted post-tax in retirement as opposed to pre-tax while working.



Q I am currently a federal employee but would like to change to an agency where there is more promotion potential. How do I do this?

A We can give you some general information that may be helpful in your job search. There must be a job opportunity announcement in order to apply for a federal job. A federal application consists of submitting a résumé and usually completing an assessment and providing additional information, as requested, such as transcripts, SF-50s and/or a DD-214 (military discharge paper).

The Office of Personnel Management (OPM) has an excellent online tool (USAJOBS) to help you to locate jobs. Federal employees who have worked for a federal agency for three years or more are allowed to apply for federal opportunities open to status candidates. Go to www.usajobs.gov. It is very important that you carefully review the “Qualifications Required” and “How You Will be Evaluated” sections of the job opportunity announcement to see if you qualify for the job. Also review the “How to Apply” section of the job opportunity announcement. If applicants do not follow the instructions provided in the “How to Apply” section, the application may be considered incomplete, and applicants will not be considered for the job.

When you apply for a position, we recommend that you print out the job opportunity announcement so that you will have the information to refer to when checking on your status after the job announcement’s closing date. OPM removes job opportunity announcements from its system when the jobs close.

Q I am receiving military retired pay. Will I be able to use any of my military service in the computation of my civil service annuity?

A You cannot receive credit for military service in your Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) retirement computation if you are receiving military retired pay, unless you were awarded the retired pay:

- Due to a service-connected disability either incurred in combat with an enemy of the United States or caused by an instrumentality of war and incurred in the line of duty during a period of war; or
- Under the provisions of Chapter 67, Title 10, U.S.C. (pertaining to retirement from a reserve component of the Armed Forces).

However, you can elect to waive the retired pay and have the military service added to your civilian service in computing your CSRS or FERS annuity. You should have your human resources office provide you with an annuity estimate both with and without your military service so that you can determine if it would benefit you to combine your service. If you choose this option, you will still retain your TRICARE (military health insurance) and any tax-free income that you receive from the VA (if applicable).



Q Have more questions than answers about your federal benefits?

A Turn to the National Active and Retired Federal Employees Association (NARFE) for trusted and reliable answers to your most complex questions.

- Get the most out of your federal benefits. Access webinars on topics crucial to understanding and managing your federal benefits at the NARFE Federal Benefits Institute.
- Access NARFE Member Perks to take advantage of negotiated member-only savings on products and services for NARFE members. Travel, health and wellness, telecommunications, moving, financial, legal and more are at your service.
- Reach out to a NARFE federal benefits specialist for help with issues surrounding your federal benefits and retirement concerns.

Members of NARFE have resources to help them take charge of their federal benefits and guarantee a secure future.

Join NARFE Today!

As the only organization solely dedicated to the general welfare of all federal workers and retirees, NARFE delivers valuable guidance, timely resources and powerful advocacy. For nearly a century, NARFE has been a trusted source of knowledge for the federal community, Capitol Hill, the executive branch and the media.

www.NARFE.org/Join | 800-456-8410



Active and Retired Federal Employees ... Join NARFE Today!

The only organization dedicated solely to protecting and preserving the benefits of all federal workers and retirees, NARFE informs you of any developments and proposals that affect your compensation, retirement and health benefits, AND provides clear answers to your questions.

Who Should Join NARFE?

If your future security is tied to federal retirement benefits—federal retirees, current employees, spouses and individual survivors—you should join NARFE.



NARFE MEMBER BENEFITS

- Access the NARFE Federal Benefits Institute for powerful resources to help you fully understand and manage your benefits.
- Visit the Legislative Action Center to contact your representatives about bills affecting federal benefits.
- Get *NARFE Magazine* with news and insights for the federal community.
- Save time, hassle and money with NARFE Perks.
- The opportunity to get involved at the local level by joining a chapter in your area.

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NARFE MEMBERSHIP APPLICATION

YES. I want to join NARFE for the low annual dues of \$48.

Mr. Mrs. Miss Ms.

Full Name

Street Address

Apt./Unit

City State ZIP

Phone

Email

I am a (check all that apply)

- Active Federal Employee Active Federal Employee Spouse
 Annuitant Annuitant Spouse Survivor Annuitant

Please enroll my spouse

Spouse's Full Name

Spouse's Email

PAYMENT OPTIONS

- Check, Money Order or Bill Pay (Payable to NARFE)
 Bill me (*NARFE membership will start when payment is received.*)
 Charge my:
 MasterCard VISA Discover AMEX

Card No.

Expiration Date ____ / ____
mm yyyy

Name on Card

Signature

Date

TOTAL DUES

\$48 Annual Dues X _____ = _____
Per Person # Enrolling Total Dues

Dues payments are not deductible as charitable contributions for federal income tax purposes.

LOOKING TO MEET OTHERS in the federal community and participate in NARFE at a local level? Call 800-456-8410 to learn about a NARFE chapter in your area.

Would you like to receive a FREE one-year chapter membership? Choose one:

Chapter closest to home OR Chapter # _____

MAY WE THANK SOMEONE? Did someone introduce you to NARFE? Please provide their Name and Member ID.

Recruiter's Name

Recruiter's Membership ID

NARFE respects the privacy of our members. Personal information is used to provide content and relevant communications to our members, and will not be sold or rented to third parties.

THREE EASY WAYS TO JOIN

1. **Complete this application** and mail with your payment to NARFE Member Services / 606 N Washington St / Alexandria, VA 22314-1914.
2. Join online at **www.NARFE.org**.
3. **Call 800-456-8410**, Monday through Friday, 8 a.m. to 5 p.m. ET.