

FERS Annuity Supplement

By *Tammy Flanagan, National Institute of Transition Planning* If you are covered under the Federal Employees Retirement System and are looking forward to retiring before you turn 62, this column was written with you in mind. If you retire this young, you won't be able to collect Social Security. But there is a special payment under FERS that can help bridge the years between your retirement and when you qualify for Social Security.

The legislation creating FERS more than 20 years ago created a special supplement to the FERS basic retirement benefit to be paid to retirees in this situation. The supplement is included in the FERS basic annuity payment and is computed and paid out by the Office of Personnel Management after you retire.

The supplement, along with the basic FERS retirement benefit and distributions available from a Thrift Savings Plan account, the TSP makes it possible for FERS employees to plan to retire early. But, of course, there are conditions.

Who's Eligible?

To be eligible for the FERS supplement when you retire you must have at least one calendar year of FERS service and must be entitled to retire with an immediate annuity. This means that if you're at least 62, you must have five years of service. If you're at least 60, the requirement is 20 years. And if you're younger than that but still at the minimum retirement age, you must have 30 years of service. The minimum retirement age varies from 55 to 57, depending on when you were born. (Other groups of employees also are eligible for the supplement under various special provisions.)

Some retirees are eligible for the special supplement when they reach the minimum retirement age, but may not receive it immediately upon retirement. This includes people who have at least one calendar year of FERS service and retired before the following formula: Number of civilian years under FERS (military service is not included) divided by 40, times Social Security benefit at 62.

So, for example, suppose Sal works 20 years under FERS and is entitled to \$1,200 per month in Social Security benefits at 62. He would be eligible for a supplement of about \$600 per month. If you're getting close to your retirement date, you may want to request a retirement computation from your agency's human resources office that will include the supplement estimate.

When Does It End?

The supplement is never payable after age 62, whether or not a retiree is entitled to or applies for Social Security benefits at that time. For some, it will end sooner.

If a retiree's earnings exceed an annual earnings limit, the supplement will be reduced by \$1 for every \$2 that is earned above that amount. The earnings limit for 2007 is \$12,960. OPM asks each retiree who has reached the minimum retirement age for a statement of earnings each year he or she is eligible to receive the annuity supplement.

The reduction for excess earnings does not apply to employees who retire under the special provisions for law enforcement officers, firefighters, air traffic controllers and military reserve technicians until they reach the minimum retirement age.

How About a COLA?

Sorry, the FERS annuity supplement is not increased by cost-of living adjustments.