



FERS supplemental annuity

Based upon the recent USPS Voluntary Early Retirement (VER), it is apparent that a portion of our members do not have a clear or, in some cases, even a basic understanding of the Federal Employees Retirement System (FERS) relative to their supplemental annuity entitlement. This article will hopefully provide assistance on this subject.

The FERS annuity supplement is paid *in addition* to gross monthly FERS annuity benefits. It represents what you would receive for your FERS civilian service from the Social Security Administration (SSA) and is calculated as if you were eligible to receive SSA benefits on the day you retired. The supplemental annuity is paid by OPM and not by Social Security.

Eligibility for the annuity supplement continues until the earlier of:

- The last day of the month before the first month for which you would be entitled to actual Social Security benefits, or
- The last day of the month in which you reach age 62.

If you retire voluntarily on an immediate annuity that is not reduced for age, you may be eligible for the annuity supplement in addition to your regular monthly FERS benefit. You may also receive the supplement if you retired involuntarily before attaining your minimum retirement age (MRA) or voluntarily because of a major reorganization, reduction in force, or an early retirement for members of Congress. However, in these three instances, you will not be eligible for the annuity supplement until you reach your MRA. If you receive a deferred benefit, a disability benefit or an immediate MRA+10 benefit, you will not be eligible for the annuity supplement.

If your annuity has a Civil Service Retirement System (CSRS) and a FERS component, you can still receive an annuity supplement. However, you must have completed one full calendar year of service subject to FERS computation rules.

The FERS annuity supplement is computed as if you were age 62 and fully insured for a Social Security benefit when the supplement begins. OPM first estimates what your full career (40 years) Social Security benefit would be. Then OPM calculates the amount of your civilian service under FERS and reduces the estimated full career Social Security benefit accordingly. For example, if your estimated full career Social Security benefit would

be \$1,000 and you had worked 30 years under FERS, then divide 30 by 40 (.75) and multiply ($\$1,000 \times .75 = \750). The result would be your FERS annuity supplement, prior to any reductions.

Like Social Security benefits, the FERS annuity supplement is subject to an earnings test. It is reduced if you earn more than the Social Security exempt amount of earnings in the immediately preceding year. The earnings limit for 2009 is \$14,160 with the supplement being reduced by \$1 for every \$2 of earnings above this minimum level. It is possible that the supplement could reduce to zero. However, the FERS basic benefit will not be reduced.

If you are receiving a supplement, you must report your earnings to OPM. You will receive instructions on how to report your earnings once you begin receiving the annuity supplement. The amount you may earn without affecting your FERS annuity supplement is determined by the SSA each year with increases calculating in the annual increases in average wages for the national workforce.

The FERS basic benefit is not considered earnings when determining your earnings for the earnings test. Earnings for the year consist of the sum of wages for service performed in the year, plus all net earnings from self-employment for the year, minus any net loss from self-employment for the year.

Health Benefit Open Season

The period for federal retired employees to select health benefits is rapidly approaching. The period of November 9-December 14 has been designated as Open Season. Both retired and active members are reminded that when comparing plans, be sure to look at *both* coverage and cost. We believe that the NALC is the best plan available for the NALC membership.

If you missed the deadline of 30 days before or 60 days after marriage, now is the time you are able to add your spouse to your health benefits coverage. ☒

NALC Retirement Department
Toll-free number: 800-424-5186
Available Monday, Wednesday and Thursday only
from 10 a.m. to noon and from 2 to 4 p.m. (Eastern time)
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