FFEBA

Federation of Federal Employee Benefit Advocates

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THE DECISIONS GUIDE

Your federal retirement: *what determines what you receive.*

The pension formula, the age 62 bonus, the supplement, your leave, military buyback, protecting your spouse, Social Security timing and the TSP, with worked examples.

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Your federal retirement: *the decisions that determine what you receive.*

An easy-to-understand guide to the benefits you have earned, with worked examples. Every section ends with the one thing to check before you set a date.

IN THIS GUIDE

1. The three-legged stool
2. Your FERS pension formula
3. The age 62 bonus
4. When can you retire?
5. The FERS Retiree Annuity Supplement
6. Your leave is worth more than you think
7. Military buyback
8. Protecting your spouse
9. Social Security filing strategy
10. Your TSP at retirement
11. You have earned these benefits. Make sure you use them.

The three-legged stool

Federal retirement under FERS is built on three income sources that work together. The power is in how they interact, and coordinating all three is what separates a good retirement from a great one.

FERS pension

Guaranteed lifetime income based on your years of service and High-3 salary. It does not depend on the market and it does not run out. This is the floor of your retirement income.

TSP

The federal 401(k). You contribute, your agency matches up to 5%, and the balance grows tax-deferred. Its value depends on your contributions, fund choices and market performance.

Social Security

FERS employees pay the full Social Security payroll tax throughout their careers and receive full benefits.

Your FERS pension formula

1% × your High-3 average salary × years of service = annual pension

Your High-3 salary

Your High-3 is the average of your highest 36 consecutive months of basic pay: not your final salary and not your best year. For most employees it is the final three years before retirement. Basic pay

includes base salary and locality pay only.

Sick leave counts as service in your calculation

When you retire with an immediate annuity, every hour of unused sick leave converts to additional months of service credit. The government uses a 5.8-hour day for this conversion, not 8 hours. Only full months count; partial months are forfeited.

> **Watch:** overtime, bonuses and cash awards do not count toward your High-3. If a lot of your income is overtime, your High-3 will be lower than your total compensation suggests. **Tip:** check your sick leave conversion on the OPM table before setting your date. A few extra hours can be the difference between 5 and 6 months of credit.

The age 62 bonus

Retire at age 62 or older with at least 20 years of service and your multiplier rises permanently from 1% to 1.1% per year.

RETIRE AT 60 WITH 20 YEARS

1.0% × 20 × $90,000

$18,000 a year

for life

RETIRE AT 62 WITH 22 YEARS

1.1% × 22 × $90,000

$21,780 a year

for life

Annual difference: $3,780. Over 20 years of retirement that is $75,600 more before COLAs. If you are eligible for an immediate annuity, sick leave can be used to qualify you for the 10% bonus.

When can you retire?

There are several retirement pathways, each with different eligibility rules and consequences for your annuity.

Year of birth	Your MRA
Before 1953	55
1953 to 1964	56
1965 and later	57

Pathway	Requirements	Reduction?	Supplement?

Full voluntary	62 with 5 years, 60 with 20 years, or MRA with 30 years	None	Yes, if under 62
MRA+10 (reduced)	MRA with 10 or more years	5% per year under 62	No
VERA (early out)	50 with 20 years, or any age with 25 years	None	Yes, at MRA
Deferred	Left service before eligibility	Possible	No

The MRA+10 trap: the 5% per year reduction is permanent. Retire 5 years before 62 and your pension is reduced by 25%, forever. On a $30,000 annuity that is $7,500 less every year for life.

The FERS Retiree Annuity Supplement

The supplement is automatic. If you retire before 62 under a qualifying pathway with an immediate unreduced annuity, you receive a monthly supplement that bridges your income until you can collect Social Security. You do not apply for it.

HOW IT IS CALCULATED

Years of FERS service ÷ 40 × estimated Social Security at 62 = monthly supplement

Example: 30 years of service, $1,500 a month Social Security estimate.
30 ÷ 40 = 0.75 × $1,500 = $1,125 a month

EXAMPLE, 30 YEARS AND A $1,500 ESTIMATE

$13,500

a year in additional income until 62

The supplement ends at 62 whether or not you file for Social Security. If you plan to delay Social Security past 62, plan for the gap with TSP withdrawals. **Earnings test:** earn more than $24,480 a year from work in 2026 and the supplement is reduced $1 for every $2 over the limit. Part-time work in retirement can be great; know what it does to the supplement before you commit.

Your leave is worth more than you think

Years of service	Annual leave earned	Maximum carryover
Under 3 years	104 hours (13 days)	240 hours

3 to 14 years	160 hours (20 days)	240 hours
15 or more years	208 hours (26 days)	240 hours

EXAMPLE: GS-13 AT $115,000 A YEAR ($55.10 AN HOUR)

Retire at the end of the leave year: 240 + 208 = 448 hours

448 × $55.10 = **$24,685 lump sum**

Retire mid-year with 240 hours: 240 × $55.10 = **$13,224**

$11,500

more by retiring at the right time

Three retirement date rules

1. **End of a pay period.** You must complete the full pay period to earn leave for it.
2. **End of the month.** Your annuity starts on the first of the following month. Retire June 30 and payments start July 1. Retire June 15 and you still wait until July 1.
3. **End of the leave year.** Stack your carryover maximum with a full year of accrual. The 2026 leave year ends January 9, 2027.

> **Check your address.** The annual leave lump sum can arrive by check. Confirm your agency has your correct mailing address before you retire.

Military buyback

If you served in the military before joining the federal civilian workforce, you may be able to add that service to your federal retirement, increasing your pension and possibly your eligibility date.

Period of military service	Deposit rate
Active duty before 1999	3.00%
Active duty during 1999	3.25%
Active duty during 2000	3.40%
Active duty after December 31, 2000	3.00%

THE MATH ON A BUYBACK

4 years of active duty, average military pay $32,000 a year

Deposit: 4 × $32,000 × 3% = **$3,840**

Annuity increase at a $95,000 High-3: 1% × 4 × $95,000 = **$3,800 more a year**

$76,000

additional pension income over 20 years from a $3,840 deposit. Break-even: about one year of retirement.

Timing: you have a 2-year grace period after entering FERS to make the deposit without interest; after that, interest compounds every year. The deposit must be completed before you retire. Request your military earnings record and a deposit estimate from DFAS at dfas.mil, and give yourself 6 to 12 months before your planned date.

Protecting your spouse

When you retire you make an election that determines what your spouse receives if you die first. This decision is permanent, and it affects more than income.

Option	Spouse receives	Your reduction	FEHB continues?
Maximum (50%)	50% of your pension for life	10% less for you	Yes
Partial (25%)	25% of your pension for life	5% less for you	Yes
No survivor annuity	Nothing	No reduction	No. It ends when you die

The FEHB connection most employees miss

Federal health insurance is one of the most valuable benefits in retirement; the government keeps paying roughly 72% to 75% of the premium after you retire. If you elect no survivor annuity and die before your spouse, that FEHB coverage ends immediately, however long you were covered. Your spouse loses health insurance when they need it most.

Two things to know: the survivor annuity deduction is pre-tax, so the after-tax cost is lower than it looks, and a 50% survivor benefit grows with COLAs over time. The election locks once your first regular annuity payment arrives and the 30-day change window closes.

Social Security filing strategy

Social Security may be the most important financial decision you make in retirement. Filing at the wrong age can cost tens of thousands of dollars.

Age you file	Effect on benefit	Example (full retirement age benefit of $2,000 a month)
62 (earliest)	30% permanent reduction	$1,400 a month
65	About 13% reduction	$1,733 a month
67 (full retirement age)	Full benefit	$2,000 a month
70 (maximum)	24% above the full benefit	$2,480 a month

Why federal employees often have an advantage

Because you have a FERS pension and usually a TSP balance to cover living expenses, you may not need Social Security at 62. That gives you the option to delay and let the benefit grow. Federal retirees who receive the FERS supplement have a natural bridge to 62, and those who can cover expenses between 62 and 70 can take the maximum monthly benefit at 70, one of the highest guaranteed returns most people have access to.

$76,000+

additional lifetime income by filing at 70 instead of 62, based on a $2,000 full-age benefit and living to 85

WEP and GPO are gone. The Social Security Fairness Act, signed in January 2025, eliminated the Windfall Elimination Provision and the Government Pension Offset. Many CSRS retirees are entitled to restored or increased benefits.

Your TSP at retirement

Contribute 5% and your agency contributes 5%, so 10% of your pay goes into the TSP. The 2026 elective deferral limit is $24,500, plus $8,000 catch-up at 50 or older, or $11,250 instead at ages 60 to 63.

Fund	What it is	Risk
G Fund	Government securities; principal never goes down	Very low
F Fund	U.S. bond market index	Low to moderate
C Fund	S&P 500 large-cap stocks	Moderate to high
S Fund	Mid and small-cap U.S. stocks	High
I Fund	International developed markets	High
L Funds	Lifecycle blends, rebalanced automatically by target date	Varies

Key decisions at retirement

The age 55 rule

Retire during or after the calendar year you turn 55 and you can withdraw from the TSP without the 10% early withdrawal penalty, even under 59½.

TSP or IRA rollover

Rolling to an IRA before 59½ permanently loses the age 55 advantage. A hybrid, keeping some in the TSP and rolling the rest, often makes the most sense.

The G Fund advantage

No IRA offers anything like the G Fund: Treasury-like returns with zero principal risk. A reason to keep at least some money in the TSP.

> **Spread your contributions.** If you hit the annual limit before year-end, contributions stop and you lose the agency match for the remaining pay periods.

You have earned these benefits. Make sure you use them.

Your retirement is specific to you: your High-3, years of service, TSP balance, military history, marital status and planned retirement date. The difference between general knowledge and a personalized plan can be measured in tens of thousands of dollars.

Your own numbers, *checked.*

This guide explains the rules. A free benefits review puts your own High-3, service history, TSP balance and retirement date into one plain-language picture with a Federal Retirement Consultant (FRC®), a professional trained on the federal system.

FFEBA.COM/BENEFITS-REVIEW

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