

FERS GUIDE

independently
published
by PlanWell
Financial

COMPLETE HANDBOOK

for Federal Employee Retirement System



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ABOUT US

At PlanWell, we are focused on federal retirement planning.

Our goal is to remove all of the noise and fluff from federal retirement planning. We have found that federal employees are wasting countless hours googling or attending webinars that cover information that is unrelated to their situation. That's why we created a simple Federal Employees Process to help Feds retire with confidence.

FREE FERS WEBINARS

Choose a Financial Planner for federal employees.

We provide federal retirement planning workshops for federal employees, designed for the career federal employee.

[*click here to register*](#)

PERSONALIZED BENEFITS REPORT

We offer a no-cost and no-obligation Federal Benefits Report that is based on your federal service.

Our comprehensive, 22-page report covers everything you need to know in preparation for a federal retirement. At the end of the one-on-one meeting, you get to keep the report.

[*click here to schedule a meeting*](#)

DISCLAIMERS

These reports provide estimates of the costs and benefits associated with various federal employee retirement and benefits programs, including the Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), Federal Employees Group Life Insurance (FEGLI), Federal Employees Health Benefits Program (FEHB), Long Term Care (LTC) Insurance, Social Security System benefits, Special Retirement Supplement, and the Thrift Savings Plan (TSP). These estimates are based on historical program behavior and employee-provided information and are intended to give employees a sense of what they might expect in terms of benefits.

It's important to note that these estimates come with certain assumptions and uncertainties, and they may not necessarily reflect actual experiences. As future costs and benefits cannot be predicted with absolute certainty, employees are advised not to make financial decisions solely based on these estimates. Instead, they are encouraged to regularly review their benefits and consult with financial professionals for tailored advice.

The reports emphasize that financial decisions should not rely solely on these projections and explicitly disclaim any liability for decisions made based on the contents of the reports. Employees are encouraged to seek guidance from their employing agency's benefits representative or the Office of Personnel Management (OPM) for more comprehensive and personalized information. PlanWell Financial Planning, LLC is not affiliated with, endorsed by, or authorized to speak on behalf of the U.S. Government, OPM, the Federal Employee Retirement System, or any other federal agency benefits programs or retirement plans, including the Thrift Savings Plan (Federal Benefits Plans). Securities and investment advisory services offered through Osaic Wealth, Inc. member FINRA/SIPC. Osaic Wealth is separately owned and other entities and/or marketing names, products or services referenced here are independent of Osaic Wealth.

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FERS GUIDE

THE COMPLETE GUIDE TO FERS: THE FEDERAL EMPLOYEE RETIREMENT SYSTEM

LEARN ABOUT:

- Pension Calculations
- Costs
- RSCD vs LSCD
- Eligibility and When to Retire
- Minimum Retirement Age (MRA)
- High-3 Calculation
- Determining Creditable Service
- Military Buy-Back
- Unused Sick Leave Conversion
- Alternative Retirement Options
- COLAs
- Post-Retirement Options
- OPM Backlogs
- Best Dates to Retire



THE 3 COMPONENTS OF FERS

Congress created the Federal Employees Retirement System (FERS) in 1986, and it became effective on January 1, 1987.

The Federal Employees Retirement System (FERS) is a retirement plan for federal employees in the United States. It was established in 1987 to replace the older Civil Service Retirement System (CSRS). FERS is a three-tiered system that includes the following components:



BASIC BENEFIT PLAN (PENSION):

Similar to the traditional pension plan, federal employees under FERS receive a defined benefit based on their years of service, high-3 salary, and a multiplier formula. This portion provides a guaranteed monthly annuity upon retirement for life.



THRIFT SAVINGS PLAN (TSP):

The TSP is a defined contribution plan that allows federal employees to contribute to a tax-advantaged retirement account. The Federal Government contributes an automatic 1% and up to 4% of your basic pay depending on contributions made. Employees can choose how to invest their TSP contributions among various investment funds.



SOCIAL SECURITY:

FERS employees also participate in the Social Security system, with deductions made from their salary. Social Security benefits are provided based on the individual's earnings and work history.



FERS aims to provide federal employees with a comprehensive retirement package that includes a guaranteed pension, personal savings through TSP, and Social Security benefits. The combination of these three components is designed to provide a secure income stream for retirees. We will focus on covering the FERS basic benefit plan, also known as the FERS pension.

FERS IS NOT CREATED EQUALLY FOR EVERYONE

If you entered service after 2014 you are paying 450% MORE into the same system. New FERS employees are paying 4.4% for the same exact pension that at one time only cost 0.8%. In total new FERS employees are having 12.05% deducted from their paychecks right off the top for legacy retirement systems.

- FERS = Federal Employees' Retirement System
- FERS-RAE = Revised Annuity Employees
- FERS-FRAE = Further Revised Annuity Employees

FERS

Entered service between 1/1/1987 – 12/31/2012
0.8% to FERS

FERS-RAE

Entered service between 1/1/2013 – 12/31/2012
3.1% to FERS

FERS-FRAE

Entered service between 1/1/2014 – Current
4.4% to FERS



YOUR RETIREMENT SERVICE COMPUTATION DATE (RSCD)



RSCD IS NOT LEAVE SERVICE COMPUTATION DATE (LSCD)

The RSCD is used to calculate your federal years of service for the pension calculation. It is important not to confuse the RSCD with the LSCD date that is on your leave and earnings (LES) statement. Often, the LSCD and RSCD are the same, however it is better to assume they are not. Primary reasons for having a different RSCD and LSCD include:

- Breaks in service
- Military time
- Entered service with higher per-pay-period leave

At retirement, OPM will review all of your SF-50's to confirm the RSCD after you file retirement paperwork. You can verify your creditable service time by submitting an SF-3107 – go to page 9 of the form titled, “Certified Summary of Creditable Service.” You can submit to HR to verify the RSCD. We recommend confirming the RSCD sooner than later to avoid any surprises come retirement.

SF-3107:

Section A - Identification		Section B - Verified Service History Documented in Official Personnel Records	
1. Name of employee (last, first, middle)	2. Date of birth (mm/dd/yyyy)	3. Social Security Number	
4. List all other names used (maiden name, AKA, spelling variants)	5. Other birth dates used	6. Military serial number	
	7. Service computation date for retirement purposes		
8a. Did this employee elect to transfer to FERS? <input type="checkbox"/> No <input type="checkbox"/> Yes, give effective date of election:		8b. If the employee elected to transfer to FERS, is the employee entitled, according to your records, to have part of the FERS annuity computed under CSRS rules? <input type="checkbox"/> Yes <input type="checkbox"/> No	
9a. Does the applicant receive military retired pay? <input type="checkbox"/> Yes (Attach a copy of the applicant's military retired pay order, if available, and complete 9b.) <input type="checkbox"/> No		9b. If yes, has the applicant waived military retired pay to credit military service for FERS retirement? <input type="checkbox"/> Yes (Attach a copy of the military finance center's letter to the employee accepting waiver, if available.) <input type="checkbox"/> No (Include cases where a waiver is not necessary.)	
Federal agency or military service branch	Appointment, separation, or conversion dates for civilian and active honorable military service From (mm/dd/yyyy) to (mm/dd/yyyy)	Name of retirement system*	Remarks and non-creditable time**

* Give details of creditable civilian service not subject to retirement deductions in Section C.
**In Remarks, show if CSRS service on or after January 1, 1984, is "regular" CSRS or CSRS Offset. Indicate if service is part-time. If service was performed on a WAE or intermittent basis, show the number of days worked in "Remarks." If the number of days worked is not available, then show the number of hours worked.

CSRS-FERS Handbook for Personnel and Payroll Offices 3107-108 Previous editions are not usable. Standard Form 3107-1 Revised May 2014



HOW TO RETIRE:

ELIGIBILITY TO RETIRE ON IMMEDIATE UNREDUCED PENSION

An immediate retirement benefit is one that starts within 30 days from the date you stop working. If you meet one of the following sets of age and service requirements below, you are entitled to an immediate retirement benefit. If you retire at MRA with at least 10 years of service, but less than 30 years of service, your benefit will be reduced by 5% a year for each year you are under 62, unless you have 20 years of service and your benefit starts when you reach age 60 or later.

The early retirement benefit is available in certain involuntary separation cases and in cases of voluntary separations (Voluntary Early Retirement Authority – VERA) during a major reorganization or reduction in force (RIF).

Age 57 or MRA	+	30 Years of Service
Age 60	+	20 Years of Service
Age 62	+	5 Years of Service

MINIMUM RETIREMENT AGE (MRA) IS DEPENDENT ON BIRTH YEAR

Minimum Retirement Age (MRA)	
Birth Year	MRA
1953 ~ 1964	56
1965	56 & 2 Months
1966	56 & 4 Months
1967	56 & 6 Months
1968	56 & 8 Months
1969	56 & 10 Months
1970 & later	57



HIGH-3 CALCULATION

The high-3 salary is the average of the highest 36 months of consecutive income. For most people, the last 36 months are used for calculation purposes, but that is not always the case. Not all income is included in the high-3. The table below shows what is included and excluded from the high-3 calculation.

Pay Included in the High-3	Pay Not Included
Regular Pay	Bonuses
Locality Pay	Cash Awards
Law Enforcement Availability Pay (LEAP)	Regular Overtime
Administratively Uncontrollable Overtime (AUO)	Retention Pay
Premium Pay	Overseas COLA
Market Pay	Military Pay
Environmental Pay (for wage grade only)	
Night Differential Pay (for wage grade only)	

CREDITABLE SERVICE CALCULATION

The calculation includes several components:

- Service time from work
- Unused sick leave
- Military time
 - Made deposit to count towards civilian service
- Redeposit service
 - Refunded pension contribution when leave
- Non-deductible Service (Temp/Intern)
 - Federal service before 1/1/1989 but did not contribute to FERS (must buy back)



SPECIAL NOTE FOR ACTIVE & RESERVE MILITARY

Retired military receiving pensions can opt to buy their military time back which will increase the total federal civilian creditable service. Often, it makes sense to buy military time if you retired at a low salary (in the military) and have a much higher federal salary. Take the time to run the numbers on buying back military time vs not.

Other special notes:

- Retired reservist can make a military deposit and not lose the military pension
- Combat Time is eligible
- Military Academy is eligible

DO YOU LOSE THE MILITARY PENSION IMMEDIATELY IF YOU BUY-BACK MILITARY TIME?

- A common misconception is that you will lose your military pension immediately. This is NOT true. The military pension will stop once you start receiving an immediate pension from FERS.

SICK LEAVE WILL INCREASE FERS PENSION FOR LIFE.

All unused sick leave is converted into months & days of service using the 2087 Chart (page 12). The converted time is added to your total service time. Days over 30 will count towards as an additional month of service. Left over days are discarded.

Sick leave only adds to service time and will not count toward eligibility (does not help you retire earlier).

In the example below, there are 6 months and 27 days of unused sick leave. An important note: the sick leave is added to the creditable service time to then round out at 30 days. Any days left over the 30 days is lost. In this example, 9 days of sick leave is forfeited and does not add to the pension.

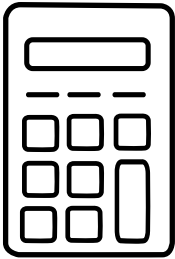
	Years	Months	Days
Creditable Service	30	1	12
Unused Sick Leave		6	27
	30	7	39
Total Service Time	30	8	9



CALCULATING CREDITABLE SERVICE

(with civilian time, military time, and unused sick leave)

	Years	Months	Days
Creditable Service	30	1	12
Unused Sick Leave		6	27
Military Service	4	0	0
	34	7	39
Total Service Time	34	8	9



TRY THE FREE SICK LEAVE CONVERSION CALCULATOR AT WWW.PLANWELLFP.COM

HOW TO CONVERT UNUSED SICK LEAVE

The 2087 chart (next page) is used to convert unused sick leave. Determine the total unused sick leave number and locate it on the chart, rounding down. From there you can find the total months at the column and days by the row.



2087 CHART

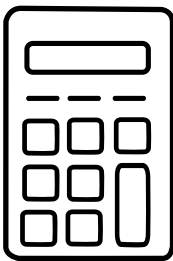
Table of Converting Unused Sick Leave Into Additional Service

Months	0	1	2	3	4	5	6	7	8	9	10	11
Days												
0	0	174	348	522	696	870	1,044	1,217	1,391	1,565	1,739	1,913
1	6	180	354	528	702	875	1,049	1,223	1,397	1,571	1,745	1,919
2	12	186	360	533	707	881	1,055	1,229	1,403	1,577	1,751	1,925
3	17	191	365	539	713	887	1,061	1,235	1,409	1,583	1,757	1,931
4	23	197	371	545	719	893	1,067	1,241	1,415	1,589	1,762	1,936
5	29	203	377	551	725	899	1,073	1,246	1,420	1,594	1,768	1,942
6	35	209	383	557	731	904	1,078	1,252	1,426	1,600	1,774	1,948
7	41	215	388	562	736	910	1,084	1,258	1,432	1,606	1,780	1,954
8	46	220	394	568	742	916	1,090	1,264	1,438	1,612	1,786	1,960
9	52	226	400	574	748	922	1,096	1,270	1,444	1,618	1,791	1,965
10	58	232	406	580	754	928	1,102	1,275	1,449	1,623	1,797	1,971
11	64	238	412	586	760	933	1,107	1,281	1,455	1,629	1,803	1,977
12	70	244	417	591	765	939	1,113	1,287	1,461	1,635	1,809	1,983
13	75	249	423	597	771	945	1,119	1,293	1,467	1,641	1,815	1,989
14	81	255	429	603	777	951	1,125	1,299	1,473	1,646	1,820	1,994
15	87	261	435	609	783	957	1,131	1,304	1,478	1,652	1,826	2,000
16	93	267	441	615	789	962	1,136	1,310	1,484	1,658	1,832	2,006
17	99	273	446	620	794	968	1,142	1,316	1,490	1,664	1,838	2,012
18	104	278	452	626	800	974	1,148	1,322	1,496	1,670	1,844	2,018
19	110	284	458	632	806	980	1,154	1,328	1,502	1,675	1,849	2,023
20	116	290	464	638	812	986	1,160	1,333	1,507	1,681	1,855	2,029
21	122	296	470	644	817	991	1,165	1,339	1,513	1,687	1,861	2,035
22	128	302	475	649	823	997	1,171	1,345	1,519	1,693	1,867	2,041
23	133	307	481	655	829	1,003	1,177	1,351	1,525	1,699	1,873	2,047
24	139	313	487	661	835	1,009	1,183	1,357	1,531	1,704	1,878	2,052
25	146	319	493	667	841	1,015	1,189	1,362	1,536	1,710	1,884	2,058
26	151	325	499	673	846	1,020	1,194	1,368	1,542	1,716	1,890	2,064
27	157	331	504	678	852	1,026	1,200	1,374	1,548	1,722	1,896	2,070
28	162	336	510	684	858	1,032	1,206	1,380	1,554	1,728	1,902	2,075
29	168	342	516	690	864	1,038	1,212	1,386	1,560	1,733	1,907	2,081



CALCULATING YOUR FERS PENSION AMOUNT

$$\text{High-3 Salary} \times \text{Creditable Years of Service} \times \text{Multiplier} = \text{GROSS Annual Pension}$$



TRY THE FREE FERS CALCULATOR
AT WWW.PLANWELLFP.COM

You will use the basic calculation if you fall under one of the following:

Retiring under age 62 with any number of years of service

OR

Retiring after age 62 with less than 20 years of service

$$\text{High-3 Salary} \times \text{Creditable Years of Service} \times 1\% = \text{GROSS Annual Pension}$$



BASIC (1%) VS. BONUS CALCULATION (1.1%) – THE 10% BONUS

The decision to retire before age 60 or after 62 can be a game changer for your retirement. In the below example, you can see the increase just by retiring after 62 with the same high-3 and years of service.

Age 60	\$120,000 High-3	X	1%	X	20 Years Service	=	\$24,000 Annual or \$2,000 per Month
Age 62	\$120,000 High-3	X	1.1%	X	20 Years Service	=	\$26,400 Annual or \$2,200 per Month

SPECIAL PROVISION EMPLOYEES

Special Provision Employees have separate rules for their retirement which include a different MRA, years of service, and multiplier.

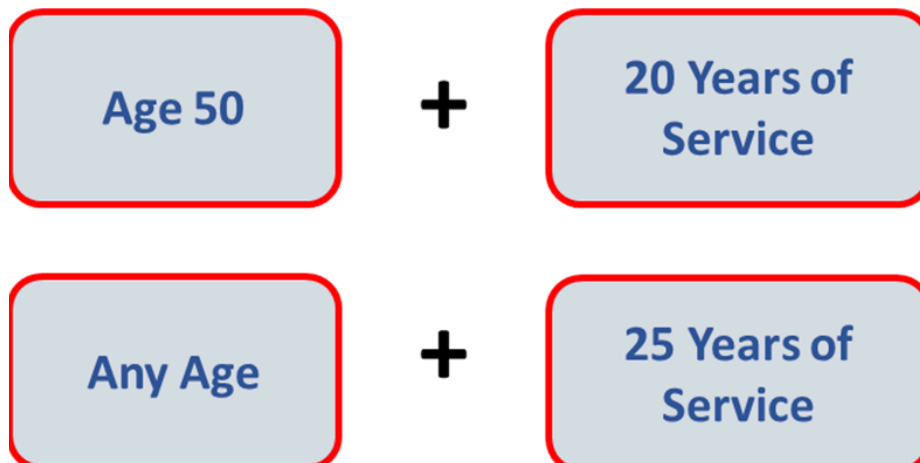
Special Provision Employees include:

- Law Enforcement Officer (LEO)
- Firefighter
- Air Traffic Controller

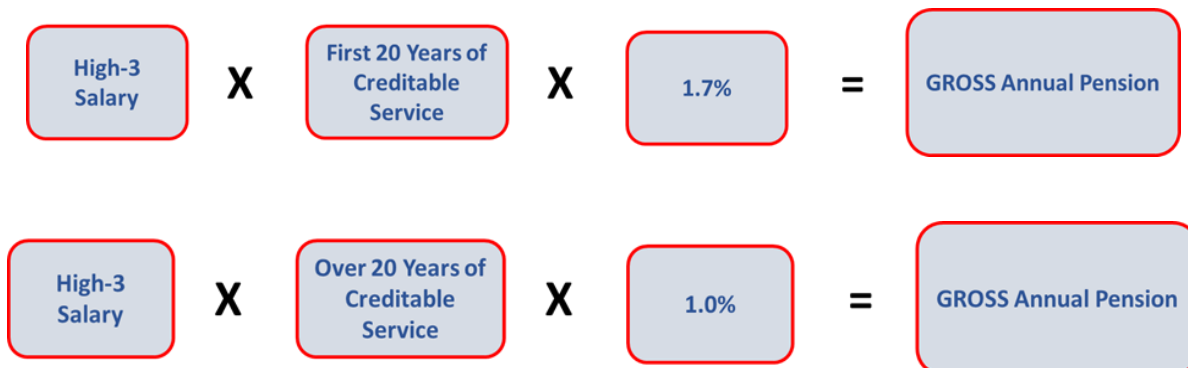


ELIGIBILITY TO RETIRE ON IMMEDIATE UNREDUCED PENSION

Must have 20 years of service in Special Provision Service. The Mandatory Retirement Age (MRA) is age 57 for LEOs & Fire Firefighters and age 56 for Air Traffic Controllers.



CALCULATING SPECIAL PROVISION EMPLOYEE PENSION



Example:

Age 55 LEO, High 3 \$120,000, 23 years of service

- First 20 year: $\$120,000 \text{ High-3} \times 1.7\% \times 20 \text{ Years Service} = \$40,800 \text{ Annual}$
- Years over 20: $\$120,000 \text{ High-3} \times 1\% \times 3 \text{ Years Service} = \$3,600 \text{ Annual}$
- Total Pension: $\$40,800 \text{ Annual} + \$3,600 \text{ Annual} = \$44,400 \text{ Annual or } \$3,700 \text{ per Month}$

ALTERNATIVE RETIREMENT OPTIONS

There are ways to retire without meeting previous requirements.

- **MRA + 10**
- **Deferred / Postpone Retirement**
- **Early Out (VERA) – Relaxed Eligibility**
- **Disability**



MRA + 10

If you retire at MRA with at least 10 years of service, but less than 30 years of service, your benefit will be reduced by 5% a year for each year you are under 62, unless you have 20 years of service and your benefit starts when you reach age 60 or later.

You can retire after you turn MRA with at least 10 years of service, but you will pay a penalty.

- Pension will be reduced by 5% for each year you receive an immediate pension before your eligibility age
- If you have less than 20 years of service, the pension will be reduced by 5% for each year you are younger than 62
- If you have more than 20 years of service, the pension will be reduced by 5% for each year you are younger than 60
- Eligible to keep FEHB & FEGLI in retirement

Example:

Employee with 15 Years of service decided to retire at MRA (Age 57) with an average high 3 of \$100,000. Full pension would be:

$$\begin{matrix} \$100,000 \\ \text{High-3} \end{matrix} \times \begin{matrix} 1\% \end{matrix} \times \begin{matrix} 15 \text{ Years} \\ \text{Service} \end{matrix} = \begin{matrix} \$15,000 \text{ Annual or} \\ \$1,250 \text{ per Month} \end{matrix}$$

The pension after reduction

$$\begin{matrix} \$15,000 \\ \text{Full Penion} \end{matrix} - \left(\begin{matrix} 5\% \end{matrix} \times \begin{matrix} 5 \text{ Years} \\ \text{Until 62} \end{matrix} \right) = \begin{matrix} \$11,250 \text{ Annual or} \\ \$937.50 \text{ per Month} \end{matrix}$$



DEFERRED & POSTPONED RETIREMENT

If you leave federal service before you meet the age and service requirements for an immediate retirement benefit, you may be eligible for deferred retirement benefits. To be eligible, you must have completed at least 5 years of creditable civilian service. You may receive benefits when you reach one of the following ages:

- **62 and 5 years**
- **60 and 20 years**
- **MRA and 30 years**

A deferred and postponed retirement will avoid the 5% penalty reduction to your annual pension. Essentially, you would be delaying your pension to a later date in lieu of an immediate pension.

Be careful! Deferred vs. postponed are very different in the benefits you get to retain into retirement. To simplify the difference, a deferred retirement is if you leave service BEFORE MRA and a postponed retirement is if you leave AFTER MRA.

LOSING CERTAIN BENEFITS IN RETIREMENT

A deferred retirement is not eligible for a Special Retirement Supplement (SRS), FEHB, and FEGLI. Losing FEHB in retirement is a huge loss. (The Federal Government continues to pay ~72 – 75% of the FEHB premium even in retirement.)

A postponed retirement allows you to keep FEHB & FEGLI once your pension begins. In the interim, there will be no FEHB or FEGLI coverage. In addition, there is no SRS.

Benefits	Deferred	Postponed
Eligible for Pension	✓	✓
FERS Supplement	✗	✗
FEHB*	✗	✓
FEGLI*	✗	✓

*assuming 5 years of enrollment requirement been meet



“EARLY OUT” – VOLUNTARY EARLY RETIREMENT AUTHORITY (VERA)

Often, a VERA can be confused with a Voluntary Separation Incentive Payment (VSIP) which is very different. A VERA allows you to retire on a full, immediate pension right away whereas a VSIP is only a one-time payment.

VOLUNTARY EARLY RETIREMENT AUTHORITY (VERA)

- No 5% per year penalty
- Eligible for FERS Supplement after MRA
- FEHB an FEGLI eligible

VOLUNTARY SEPARATION INCENTIVE PAYMENTS (VSIP)

- One-time payment of less than \$25,000
- Repay if hired back within 5 years
- 100% Taxable

DISABILITY RETIREMENT

The Federal Government offers a very generous disability retirement. If disabled, employees will receive a portion of their salary until they reach age 62. At age 62, you will receive a full pension for life. The years you are disabled will count as eligible creditable years of service when calculating your pension computation.

FERS DISABILITY REQUIREMENTS

- Agency certifies that it's unable to accommodate condition
- Requires applying for Social Security Disability (approval is not)



AMOUNT OF DISABILITY CHECK

- **First 12 months**
 - 60% of high 3 – (100% offset Social Security Disability)
 - **After 12 months**
 - 40% of high 3 – (60% offset Social Security Disability)
 - **After Age 62**
 - Normal FERS calculation but Disability counts toward service
-

FERS PENSION RECEIVES AN AUTOMATIC COST-OF-LIVING-ADJUSTMENT (COLA)

The FERS pension increases every January due to the COLA. The COLA does not begin until you reach age 62 unless you are Special Provision Employee in which you receive a COLA immediately at retirement.

The COLA is adjusted on how the Consumer Price Index (CPI) performs in the prior year.

FERS annuitants do not receive a full COLA with CPI. Below is the formula to calculate the FERS COLA.

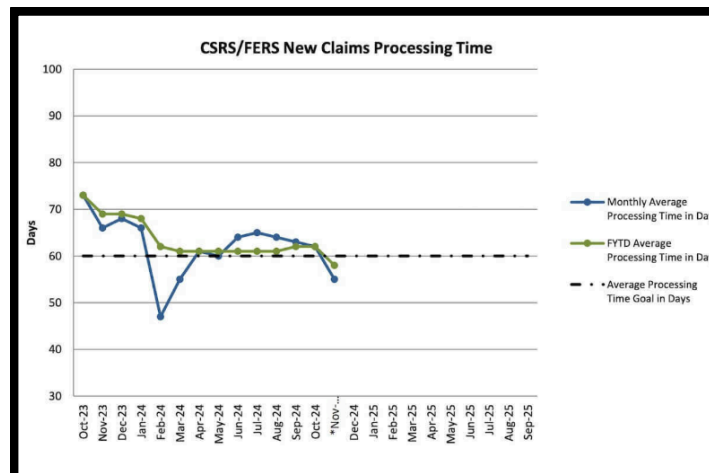
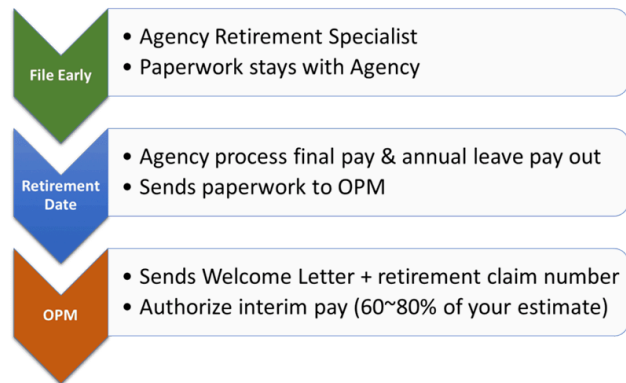
CPI	COLA
≤2%	100% match
≥2% - 3%	flat 2%
>3%	1% less than CPI



WHAT TO EXPECT AFTER FILING APPLICATION FOR IMMEDIATE RETIREMENT

Plan to file retirement early! There are a number of factors and decisions to be made that could delay your retirement paperwork such as: incorrect RSCD and not being prepared to make elections for survivor benefits, FEGLI, and tax withholdings. Some agency's HR may only process paperwork 1 or 2 months ahead of time.

Expect to receive interim payments until OPM has processed your paperwork. The interim pay is a portion of your estimated annuity payment (approximately 60–80% of your finalized net payment for most people). If not trying to maximize the annual leave payout it may be best to pick a date other than December. OPM has consistently seen an uptick in retirement applications in the month of December. As a result, retired annuitants receive their finalized payment amount much later.



OPM Backlog as of 11/30/24



planwellfp.com

WHAT ARE THE BEST DATES TO RETIRE?



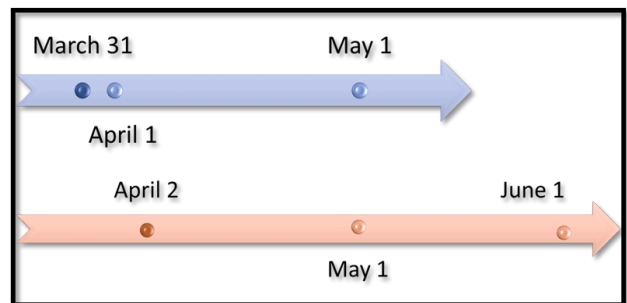
We have heard all sorts of theories on the best dates to retire and believe there really isn't a perfect month. Unless you want to maximize your annual leave payout, then the end of December would be the best month.

The best day to retire would be the last day of the month. The reason you want to choose the last day of the month is that it prevents a gap in income. If you were to choose the middle of the month, then you will be forgoing 1/2 months of a pension check.

RETIRING 12/31 – MAXIMUM ANNUAL LEAVE PAYOUT

Retiring on December 31st allows you to carry over 240 hours from the previous year plus an additional 208 accrued from the current year for a total of 448 annual leave hours. As a bonus, the annual leave payout will be taxed in the following year when total income may be lower resulting in overall lower taxes paid.

In the example above, you have the choice to retire on March 31st or April 2nd. If you retire on March 31st, the interim annuity check will come the following month in April with no gap in income. If you retire on April 2nd, the interim annuity check will not start until the following month of May. You will have lost a whole month's income payment.





TAKE THE NEXT STEP

[click here to schedule a meeting](#)

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