Who is ABX?

- National Corporate Partner with ASMC
- Specialize in educating and training federal employees on their benefits & retirement information
- Offer solid guidance & solutions to any issues within your benefit structure
- Attend local, regional, & national events
You Don’t Know What You Don’t Know
You Don’t Know What You Don’t Know

Most Common Mistake...

Federal employees **NOT** properly understanding their pension system, the benefits provided, and the supplemental options that are available to them.
Inform, Diagnose, & Assist
Today’s Agenda?

- FEGLI Overview
- Retirement Systems
- Survivor Benefits Plan
- Thrift Savings Plan
Federal Employee Group Life Insurance (FEGLI)
FEGLI Overview

- **Group Plan**
  - Everyone is lumped together: healthy/sick, smoker/non-smoker, etc.

- Administered by MetLife
  - Under Contract with OPM
FEGLI Overview

We Will Cover:

• Basic
• Options A, B, & C
• Options now & in retirement
FEGLI - Basic

- Provides two types of insurance:
  - Group Term
  - Accidental Death & Dismemberment

- Employees are automatically covered for Basic upon hiring unless they specifically state in writing by the end of the first pay period that they do not want it.
FEGLI - Basic

Coverage amount is based upon base rate of pay.

Calculation:

Base Rate of Pay Rounded to Next $1,000

+ Additional $2,000

BASIC FEGLI Coverage Amount
FEGLI - Basic

• Low Costs – do not increase with age

• Employee pays $0.15 per $1,000 of coverage per pay period or $0.325 per $1,000 per month
FEGLI - Basic

Employee has 4 options in retirement:

1. Cancel coverage
2. Retain 25% of coverage
3. Retain 50% of coverage
4. Retain the full amount of coverage
FEGLI – Basic Continuation – Retain 25%

Coverage will be reduced by 2% per month at age 65 or at retirement, whichever is later, with an ultimate reduction to 25% of the base policy value. Retiree must pay the same premium as active employee until age 65 ($0.325 per month per $1,000 of coverage). No further premium will be withheld after the calendar month in which the retiree turns 65.
Coverage will be reduced by 1% per month at age 65 or at retirement, whichever is later, with an ultimate reduction to 50% of the base policy value. Retiree must pay $1.035 per $1,000 until age 65 & $0.71 per $1,000 thereafter.
FEGLI – Basic Continuation – Retain 100%

Coverage will remain the same.

Retiree must pay $2.455 per $1,000 until age 65 & $2.13 per $1,000 thereafter.
FEGLI - Basic

• **BASIC** is the only option that offers a living benefit.

• Must have BASIC in order to qualify for any optional insurance
FEGLI – Extra Benefit

Increases the amount of insurance coverage for eligible employees under the age of 45

<table>
<thead>
<tr>
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<th>Factor</th>
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<tr>
<td>35 &amp; under</td>
<td>1.0</td>
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<tr>
<td>36</td>
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<tr>
<td>37</td>
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<td>0.6</td>
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<table>
<thead>
<tr>
<th>Age</th>
<th>Factor</th>
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<td>0.5</td>
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<td>0.2</td>
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<td>44</td>
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</table>
FEGLI – Basic Example

- Federal Employee’s Age = 43
- Base Rate of Pay = $97,875
FEGLI – Basic Example

$97,875 Rounded to Next $1,000

+ Additional $2,000

$100,000
FEGLI – Basic Example

Basic Cost = $100,000 / 1,000 = 100

x $0.15

$15 Per Pay Period
FEGLI – Basic Example

Basic Extra Benefit = $100,000

$20,000
FEGLI – Basic Example

Total BASIC Coverage = $100,000

+ $20,000

$120,000
FEGLI – Option A

- Also known as Standard Optional Insurance
- Offers an additional $10,000 of coverage
- Low Costs
- After age 35, premiums increase every 5 years
FEGLI – Option A Example

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<tr>
<th>Age Group</th>
<th>Bi-Weekly</th>
<th>Monthly</th>
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<td>$0.43</td>
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<td>40 - 44</td>
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<td>45 - 49</td>
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<td>50 - 54</td>
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<td>55 - 59</td>
<td>$2.00</td>
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<tr>
<td>60 and over</td>
<td>$6.00</td>
<td>$13.00</td>
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</table>

Age = 43
Cost = $0.40 per pay period or $0.87 per month
FEGLI – Option A In Retirement

- Coverage reduces at age 65 or retirement, whichever is later. Premiums cease at same point
- Final coverage amount is $2,500

$10,000 → $2,500
FEGLI – Option B

- Also known as Additional Optional Insurance
- Group Term Insurance
- Allowed to choose multiples of base pay from 1 to 5
- No Cash Values
FEGLI – Option B

Coverage is calculated by taking the employee’s base rate of pay, rounding it to the next $1,000, & then multiplying it by the chosen multiple.
FEGLI – Option B Example

- Employee Age = 43
- Base Rate of Pay = $97,875
- Option B Multiple = 5
- Total Option B Coverage = $98,000 x 5 = $490,000
### FEGLI – Option B Example

- **Current Benefit**: $490,000
- **Cost Over 20yrs**: $42,042.00
- **Cost over 30yrs**: $124,342.40

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<thead>
<tr>
<th>Age Group</th>
<th>Bi-Weekly Factor</th>
<th>Bi-Weekly Cost</th>
<th>Monthly Factor</th>
<th>Monthly Cost</th>
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Federal Employee Retirement Systems
Retirement Systems

- CSRS
- CSRS Offset
- FERS
- FERS-RAE
- FERS-FRAE
CSRS

- Employees hired prior to 1984
- Not covered under Social Security
- Contribute 7%
- Eligible to contribute to TSP but do not receive matching
CSRS Retirement

Eligibility:

• Age 55 with at least 30 years of service
• Age 60 with at least 20 years of service
• Age 62 with at least 5 years of service
<table>
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<td>30</td>
<td>56.25%</td>
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CSRS Retirement

High 3 = average of the highest 3 consecutive years (36 months) of base pay

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<td>80.00%</td>
</tr>
</tbody>
</table>

High 3 x (Appropriate %)
CSRS Example

High 3 = $100,000
37 years of service

$100,000 \times 70.25\% = $70,250
Employees hired after 1983

Automatically covered under Social Security

If hired prior to 2013, contribute 0.8%

Eligible for 5% TSP match
FERS - RAE

- Employees hired in 2013
- Revised Annuity Employees
- Contribute 3.1%
- Do not see a change in calculation of retirement benefits
FERS - FRAE

- Employees hired in 2013
- Further Revised Annuity Employees
- Contribute 4.4%
- Do not see a change in calculation of retirement benefits
FERS Retirement

Eligibility:

- Age 60 with at least 20 years of service
- Age 62 with at least 5 years of service
- 30 years of service & MRA
FERS Retirement

Calculation:

“High 3” = average of the highest 3 consecutive years (36 months) of base rate of pay

Under 62 = 1%
Age 62+ & 20yrs = 1.1%

“High 3”
X
1% or 1.1%
X
Years of Service

Annual Retirement Annuity
FERS Example

Calculation:

High 3 = $100,000
Age 65 @ Retirement
30 years of service

$100,000 \times 1.1\% \times 30 = $33,000
The FERS Annuity Supplement represents what a federal employee would receive for their FERS civilian service from the Social Security Administration.

The supplement continues until you are eligible to receive SSA benefits.
Retirement Dates

**CSRS**

- Employees who retire on the 1st, 2nd, or 3rd day of the month will have their retirement commence on the following day with their first annuity payment due on the 1st of the following month.

- Employees who retire after the 3rd day of the month will have their retirement commence on the 1st of the following month.
Retirement Dates

**FERS**

- Employees who retire between the 1st day & the last day of the month will have their retirement commence on the 1st of the following month with their first annuity payment due on the 1st of the month following that.
Federal Survivor Benefits Plan (SBP)
Survivor Benefits

It is important to note that the federal employee must at least elect the minimum survivor benefit at retirement in order for their spouse to keep the government health insurance if the retiree predeceases their spouse in retirement.
Survivor Benefits

• If the retiree who is married at the time of retirement does not wish to provide the maximum survivor annuity, he or she must obtain the spouse’s consent.

• Spousal consent must be given on SF2801-2, Spouse’s Consent to Survivor Election.
Survivor Benefits

CSRS & FERS Options:

- Self Only Annuity (No Survivor Benefits)
- Partially Reduced Annuity
- Full Reduced Annuity
Upon death of the retiree the surviving spouse will receive 55% of the selected benefit base.

- Max Benefit Base = full CSRS annuity
- Min Benefit Base = $22
SBP - CSRS

Costs:

(2.5% of the 1st $3,600 of survivor's base) + (10% of the remainder of the survivor's base)

Reduction to Provide Survivor's Benefit
Upon death of the retiree the surviving spouse will receive **50% or 25%** of the retiree’s annuity

**Costs:**
- **50% Option** = 10% of retirement annuity
- **25% Option** = 5% of retirement annuity
SBP - Examples

- **CSRS** Retiree
- Annuity = $70,250
- Elects Maximum Survivor’s Benefit
SBP - Examples

CSRS Costs:

$90

+ $6,665

$6,755 annually OR $562.92 per month
SBP - Examples

- **FERS Retiree**

- Annuity = $33,000

- Elects Maximum Survivor’s Benefit

- **FERS Cost**
  - $33,000 x 10% = $3,300 annually OR $275 per month
SBP - Scenarios

John Smith
CSRS

Jane Smith
SBP - Scenarios

John retires at age 65 and they live happily for 15 years in retirement:

• What’s the BEST case scenario?

• More Realistic –
  • John dies 1st and Jane follows 3 months later
  • Jane dies first
  • John & Jane both die together
SBP - Scenarios

John dies 1st and Jane follows 3 months later

- SBP cost = $562.92mo.
- 15yr cost = $101,331
- Jane collects $9,660
- Benefits are still taxable
- Do not pass on
Jane dies 1st

- SBP cost = $562.92mo.
- 15yr cost = $101,331
- John cancels SBP
- Does not get back money paid
SBP - Scenarios

John & Jane die together

• SBP cost = $562.92mo.
• 15yr cost = $101,331
• No benefits are paid
SBP - Review

- Pay a premium & receive a reduced pension
- No cash value build up
- Lack of options in retirement & death
- Attach the Federal Employee Health Benefits (FEHB) to the Survivors Benefit Program
Thrift Savings Plan (TSP)
What is TSP?

- Government version of 401k
- 1 of 3 Retirement Income sources
  - CSRS – zero matching
  - FERS – up to 5% matching
- Contributions may be allocated into 6 fund options
Contributions

- Traditional: Pre-Tax
- Roth: Post-Tax
- Annual Maximum = $19,000
- Catch-Up Contributions = $6,000
- Agency Matching Funds deposited into Traditional Account
TSP Overview - Funds

G  F  C
S  I  L
Retirement Income Calculator

What amount from your TSP account do you want to use for monthly income? $0.00

For example: If your TSP account balance at retirement is $500,000, and you take a partial withdrawal of $100,000 to buy a home, you will have $400,000 available for monthly income.

Don’t know what your balance will be at retirement? Use the How Much Will My Savings Grow? calculator to estimate what your account balance will be when you are ready to retire.
TSP Overview

- Great for **ACCUMULATION**
  - 5% matching
  - Investment choices depending on risk tolerance
- Not so awesome when it comes to **DISTRIBUTION**
TSP Overview - Distribution

1. Leave It In TSP
2. Take It All
3. Monthly Payments
4. Annuitize
5. Roll It Out
TSP Overview - Distribution

1. Leave It In TSP

- Manage Your Money
- Ride Market Rollercoaster
2. Take It All

Taxes Due
TSP Overview - Distribution

3. Monthly Payments – Fixed Dollar

- Risk that you may outlive your money
- Payments end when money runs out
- Flexibility to change your payment amount
- Continue to invest in TSP
- Earnings & Losses continue
TSP Overview - Distribution

3. Monthly Payments – Life Expectancy

• Closer to life annuity than Fixed Dollar Option
• Payments not guaranteed for life
• Account balance subject to earnings & losses
• Money left in account at death goes to named beneficiary(ies)
TSP Overview - Distribution

4. Annuitize

- Cash in balance for a series of checks

- Payout Options:
  - Single Life
  - Joint Life (50% of 100%)
  - 10 year certain
  - Cash Refund Option
TSP Overview - Distribution

5. Roll It Out

- Employees can use either their Age-Based In-Service Withdrawal Option or wait until they retire
- Forms: TSP-70, TSP-75, or TSP-77
- TSP funds can be transferred directly into an employee’s tax-qualified IRA
- Take CONTROL of your funds
TSP Rollover Benefits

- Protect Against Risk
- Preservation of principal
- Ensure Financial Security
- Locking In Interest
- Accessibility
- Income For Life
- Probate Costs

- Guaranteed returns
- Investment choices
- Developing a comfortable standard of living
- Flexibility and control
- Create a comfortable retirement
- Manage your estate
Retirement Income Sources
Retirement Income Sources

- Retirement System – CSRS / FERS
- Social Security
- TSP
- Supplemental Account(s)
Supplemental Retirement

- Do you need to save more for the future?
- How much are you looking to save each pay period or month?
- How long are you looking to save for? Time until retirement?
- What are your ultimate goals for these funds?
- What is your overall risk tolerance for these funds?
- Are you concerned about your tax liabilities in retirement?
- Have you had a full review of your household’s life insurance needs recently?
Next Steps?
Get A Personalized Benefits Review

• Fill Out The Personal Information Sheet
• Write Down Any Questions / Concerns
• Expect A Personal Follow Up Call / Email
Contact Info

Val Majewski
VP of Sales & Marketing
(o) 512.582.6050
vmajewski@thinkabx.com