



# Retiring Under an 'Early Out' Offer

Presented by ProFeds

Retiring Under an 'Early Out' Offer

## Welcome

- Our audience today
- Q&A – the ProFeds Support Team standing by
- Handouts – available for download
- Recorded – how to get the replay
- Stay until the end!

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### Your ProFeds Presenter



**Chris Kowalik**

- ProFeds Founder
- Developer of the FedImpact Retirement Workshop
- Host of the FedImpact Podcast

**Support Team**

- Standing by for your questions



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# Retiring Under an 'Early Out' Offer

## Uncovering the opportunities (and consequences) to leaving federal service under VERA/VSIP

### Agenda

- Early Out Offer
  - Two tools agencies use & basic eligibility requirements
  - Point of clarification: this is NOT an “MRA+10” or “Deferred” retirement
- Consequences of taking VERA/VSIP
  - The effects on other benefits & timeline of big decisions
- Review 3 case studies to assess outcomes

### Full Eligibility to Retire

CSRS Full Eligibility	
Age	Years
62	5
60	20
55	30

FERS Full Eligibility	
Age	Years
62	5
60	20
MRA (55-57)	30

Minimum Retirement Age	
Born in	MRA
1947 and earlier	55
1948	55 and 2 months
1949	55 and 4 months
1950	55 and 6 months
1951	55 and 8 months
1952	55 and 10 months
1953-1964	56
1965	56 and 2 months
1966	56 and 4 months
1967	56 and 6 months
1968	56 and 8 months
1969	56 and 10 months
1970 and later	57

### Two Tools for Workforce Reduction

- Two tools:
  - Voluntary Early Retirement Authority (VERA)
  - Voluntary Separation Incentive Payment (VSIP)
- Their use:
  - To encourage and incentivize employees (who are not in a time-limited position) to voluntarily leave federal service and to avoid involuntary Reductions-in-Force
  - Restrictions apply to both VERA/VSIP

### Voluntary Early Retirement Authority (VERA)

- Relaxed eligibility rules to allow an employee to retire under an “immediate pension” earlier than would otherwise be allowed
- Must meet the age and service requirements (be at least age 50 with 20 years OR any age with 25 years)
- Must be continuously employed for specified time (usually 30 days) BEFORE agency had VERA approval

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**Voluntary Separation Incentive Payment (VSIP)**

- Cash payment (up to \$25k-\$40k) to either:
  - be added to the VERA (cash plus pension), or
  - be used as a standalone “buyout” (cash only but no pension or cash with a deferred pension)
- Must be continuously employed with the federal government for at least 3 years
- NOTE: Full amount is taxable and must be repaid if you return to federal service within 5 years

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**Effect on Several Benefits**

- Federal Pension (CSRS/FERS)
- Survivor Benefit Plan (SBP)
- Federal Employees Health Benefits (FEHB)
- Federal Employees Group Life Insurance (FGLI)
- Federal Long Term Care Insurance Program (FLTCIP)
- FERS Special Retirement Supplement (SRS)
- Social Security (SS)
- Thrift Savings Plan (TSP)

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**Federal Pension (CSRS/FERS)**

- Under VERA
  - CSRS: Payable immediately
    - Calculation: Normal pension calculation (at time of VERA)
    - Reduction: 2% for every year under age 55
  - FERS: Payable immediately
    - Calculation: Normal pension calculation (at time of VERA)
    - Reduction: None

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**Federal Pension (CSRS/FERS)**

- Under VSIP (with less than 5 years creditable service)
  - CSRS: None payable
  - FERS: None payable

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**Federal Pension (CSRS/FERS)**

- Under VSIP (with at least 5 years creditable service)
  - CSRS: Deferred until age 62
    - Calculation: Normal pension calculation (at time of VSIP)
    - Reduction: 2% for every year under age 55
  - FERS: Deferred until age 62/60/MRA (based on service)
    - Calculation: Normal pension calculation (at time of VSIP)
    - Reduction: None

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**Survivor Benefit Plan (SBP)**

- You may designate your spouse to receive up to 50% of your FERS pension after you die (CSRS is 55%)
- If you retire under VERA/VSIP, you will have fewer years in your pension calculation (causing it to be lower) which means that the amount your spouse will receive will naturally be lower

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**Federal Employees Health Benefits (FEHB)**

- Normally, employees must be enrolled in the FEHB program for 5 years immediately prior to retiring (and be in receipt of an immediate pension)
- OPM will grant pre-approved waivers (BAL 04-208) to employees who have not met the 5-year rule, but:
  - have been covered under FEHB since the beginning date of the agency's last statutory VSIP authority or OPM-approved VSIP or VERA authority, AND
  - retire/separate under VERA/VSIP within the specified period

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**Federal Employees Group Life Insurance (FEGLI)**

- Employees must be enrolled in the FEGLI program for 5 years immediately prior to retiring (and be in receipt of an immediate pension)
- This includes the Basic coverage and any optional coverage (Options A, B and/or C) they wish to keep in retirement
- **NO WAIVER EXISTS** for meeting the 5-year rule for continuing FEGLI coverage

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**FERS Special Retirement Supplement (SRS)**

- The Special Retirement Supplement is a program that provides benefits similar to Social Security between the time of retirement and age 62
- The SRS is still payable to employees who take a VERA, but payments will not begin until they reach their Minimum Retirement Age (55-57, based on their year of birth)

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**Social Security (SS)**

- There is no DIRECT effect on Social Security for someone taking an early out
- The INDIRECT effect on Social Security is that if you stop working sooner, it is possible that your benefit won't be as high as your statement projects

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**Thrift Savings Plan (TSP)**

- You can only contribute to TSP while employed
- If you separate/retire earlier than expected, you:
  - will have had fewer years to contribute, and
  - may be relying on your TSP account to support you in retirement for longer than originally expected

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**Thrift Savings Plan (TSP), cont.**

- Federal employees RETIRING/SEPARATING from federal service in the year they turn age 55\* (or older) may access TSP funds without penalty
  - Taxes are still due, but no 10% early withdrawal penalty
  - If you retire prior to this age, any monies taken from TSP between that age and 59 ½ will receive the 10% penalty
- \*The age for Law Enforcement, Firefighters and Air Traffic Controllers is age 50

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- Scenarios:
  - Different ages & service years
  - System: FERS
  - Salaries: \$100,000/year
  - High-3: \$98,000
  - Social Security at 62: \$1,200
- Offers:
  - VERA
  - VSIP of \$25,000

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Our Case Studies for VSIP

**OFFERED:  
VSIP \$25,000**

Aaron



Late 20's and has 4 years of service

Carolyn



Late 20's and has 5 years of service

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Comparing Aaron & Carolyn

Who	Aaron Age 28 with 4 years	Carolyn Age 28 w/ 5 years
SCENARIO	Ready to leave government	Ready to leave government
PENSION	Not eligible	Starts at age 62 (\$4,900/yr) NOTE: No COLAs between age 28 - 62
SBP	Not eligible	Starts at age 62 (\$2,450/yr) NOTE: No COLAs between age 28 - 62

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Comparing Aaron & Carolyn

Who	Aaron Age 28 with 4 years	Carolyn Age 28 w/ 5 years
FEHB	Eligible to keep as long as already enrolled	Eligible to keep as long as already enrolled
FEGLI	Not eligible	Not eligible
FLTCIP	Eligible to keep as long as FEHB eligible	Eligible to keep as long as FEHB eligible

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Comparing Aaron & Carolyn

Who	Aaron Age 28 with 4 years	Carolyn Age 28 w/ 5 years
SS	Eligible at age 62	Eligible at age 62
SRS	Not eligible	Not eligible
TSP	Add – not allowed Take – <u>with</u> penalties	Add – not allowed Take – <u>with</u> penalties

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Comparing Aaron & Carolyn

Who	Aaron Age 28 with 4 years	Carolyn Age 28 w/ 5 years
	He's torn!	She's thrilled!
Outcome	He's glad that he'll be able to keep FEHB, but wishes he also had a pension later. He heard there is a RIF possible and afraid he'll be out of a job (with no \$25,000 incentive)!	She was ready to leave any way, but happy to hear she'll have a pension available to her later (even though it is a lot less than normal). Happy she has \$25,000 to get started!

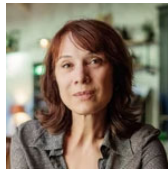
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Our Case Studies for VERA

**OFFERED:**

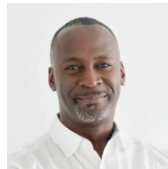
**VERA & VSIP \$25,000**

Nancy



Already fully-eligible and planning to retire

Shawn



Close to being fully-eligible, but anxious to retire

Jackie



Younger and doesn't want to stay in gov't service

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Comparing Nancy, Shawn & Jackie

Who	Nancy Age 62 with 37 years	Shawn Age 55 w/ 32 years	Jackie Age 48 with 25 years
SCENARIO	Planning to retire anyways	Just shy of being fully-eligible	Wants to pursue second career
PENSION <small>(starts immediately)</small>	\$39,886/yr <small>(w/o VERA, still qualified)</small>	\$31,360/yr <small>(w/o VERA, eligible at 56y 4m)</small>	\$24,500/yr <small>(w/o VERA, eligible at 57)</small>
SBP	\$19,943/yr	\$15,680/yr	\$12,250/yr

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Comparing Nancy, Shawn & Jackie

Who	Nancy Age 62 with 37 years	Shawn Age 55 w/ 32 years	Jackie Age 48 with 25 years
FEHB	Eligible to keep	Eligible to keep	Eligible to keep
FEGLI	Eligible to keep	Eligible to keep	Eligible to keep
FLTCIP	Eligible to keep	Eligible to keep	Eligible to keep

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Comparing Nancy, Shawn & Jackie

Who	Nancy Age 62 with 37 years	Shawn Age 55 w/ 32 years	Jackie Age 48 with 25 years
SS	Eligible ASAP	Eligible at age 62	Eligible at age 62
SRS	Not eligible	\$11,520/yr (starts at age 56y 4m)	\$9,000/yr (starts at age 57)
TSP	Add – not allowed Take – no penalties	Add – not allowed Take – no penalties	Add – not allowed Take – <u>with</u> penalties

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Comparing Nancy, Shawn & Jackie

Who	Nancy Age 62 with 37 years	Shawn Age 55 w/ 32 years	Jackie Age 48 with 25 years
Outcome	No brainer!  She's thrilled she got an extra \$25,000 for doing what she was planning to do anyways!	Free and happy!  His primary objective was to stop working even if it caused him to get a slightly lower pension.	Happy but working!  She's pursuing work out in the private sector and without the VERA wouldn't have qualified for an immediate pension!

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Get the Rest of the Story



- Attend a workshop:
  - Virtual and live options
  - No cost to attend
  - Covers all of the federal benefit topics and decisions to be made
- See all the details at [FedImpact.com/Attend](https://www.fedimpact.com/Attend)



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### Handouts & Replay




- Handouts
  - Download
  - Emailed
- Replay
  - Link will be emailed to all registered participants

 [LINK TO REPLAY](#)

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### Next Webinar



- Next webinar topic!
  - **Breaking Down the Military Service Buyback:** When it's possible, when it's worth it and when to avoid it altogether
  - Sign-up at: [FedImpact.com/Webinar](https://FedImpact.com/Webinar)

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 Next webinar: [FedImpact.com/Webinar](https://FedImpact.com/Webinar)

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