Federal Law Enforcement Officers

Presented by ProFeds

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!

Your ProFeds Presenter

FedImpact Retirement Training presented by ProFeds

Chris Kowalik

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

Support Team

- Standing by for your questions

Federal Law Enforcement Officers

Breaking down the unique retirement complexities for LEOs

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Agenda

- We'll review each federal benefit that is specifically affected by your LEO status
  - What is different?
  - What impact does it have on you?
  - What can you do to leverage it further?
- We're assuming you have a baseline understanding of federal benefits and this is not intended to be all-inclusive

Retirement Contributions

- LEOs are required to contribute an extra 0.5% of their pay into FERS compared to a regular employee
  - Hired before 2013: you contribute 1.3%
  - Hired in 2013: you contribute 3.6%
  - Hired 2014 or later: you contribute 4.9%
- You will only pay the 0.5% extra on the types of pay that count for retirement purposes (see high-3 slide)

Types of Pay Included in the High-3

- Most LEOs receive Law Enforcement Availability Pay (LEAP) or Administratively Uncontrollable Overtime (AUO)
- Certain groups do not receive LEAP/AUO, but may receive other pay given specific circumstances of their job function
- Of course, other types of pay may also be included for high-3 average purposes

Pay included in the High-3…	but NOT…
Regular pay	Retention pay
Locality pay	Overseas COLA
Law Enforcement Availability Pay (LEAP)	Military pay
Administratively Uncontrollable Overtime (AUO)	Regular overtime
Premium pay (select types)	Premium pay (select types)
Market pay	Bonuses
Environmental pay	Cash awards
Night differential pay (for Wage Grade only)	Relocation allowance

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Types of Pay Included in the High-3

- If you receive any special pay and you're not quite sure if it counts for high-3 purposes, do the backwards math!
- Remember, you are required to pay the extra 0.5% toward retirement on any pay that counts for the high-3 (for most FERS LEOs, that is 1.3%)

ON PAY STUB:

Regular pay: $4,807.69

Other pay: $224.62

FERS contribution: $62.50

QUESTION:

$62.50 is 1.3% of what #?

ANSWER:

$62.50 ÷ 1.3% = $4,807.69

Full Eligibility

- To be fully-eligible to retire, a LEO must meet the age and service years requirements listed
- *MUST complete 20 or 25 years of Special Provision service (not including sick leave, military or non-covered federal service)

CSRS LEO Full Eligibility	
Age	**Years**
50	20*

FERS LEO Full Eligibility	
Age	**Years**
50	20*
Any age	25*

Mandatory Retirement Age

- Most LEOs are subject to a "mandatory retirement age" and must retire by the age of 57
- To meet the minimum 20 year "covered service" requirement, employees must be hired by age 37
- Waivers exist at the discretion of the parent agency
- IMPORTANT: Do not confuse "mandatory retirement age" with "minimum retirement age"

Calculating the Federal Pension

CSRS Special provision formula	**Example:** CSRS LEO/FF/ATC employee age 50, with 30 years & $125,000 High-3
High-3 x 2.5% x 1st 20 years = **(A)**	$125,000 x 2.5% x 20 = 62,500 **(A)**
High-3 x 2.0% x rest of years = **(B)**	$125,000 x 2.0% x 10 = $25,000 **(B)**
A + B = Pension	**A + B = $87,500/year**

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Calculating the Federal Pension

FERS Special provision formula	**Example:** FERS LEO/FF/ATC employee age 50, with 30 years & $125,000 High-3
High-3 x 1.7% x 1st 20 years = **(A)**	$125,000 x 1.7% x 20 = $42,500 **(A)**
High-3 x 1.0% x rest of years = **(B)**	$125,000 x 1.0% x 10 = $12,500 **(B)**
A + B = Pension	**A + B = $55,000/year**

Cost of Living Adjustments

- Cost of Living Adjustments (COLAs) are applied each year to attempt to protect the purchasing power of your pension
  - Those retiring under a LEO retirement receive COLAs immediately regardless of your age when you retire
  - 10-year average for FERS COLAs is 1.47% (CSRS is 1.65%)

Customs & Border Protection Officers

- There are 3 categories of CBPOs
  - Those who were already in a LEO position PRIOR to 7/6/2008
  - **Those who were converted to a LEO position ON 7/6/2008**
  - Those who were hired into a LEO position AFTER 7/6/2008

Customs & Border Protection Officers

- Those who were converted to a LEO position ON 7/6/2008:
  - Follow non-LEO eligibility (62/5, 60/20, MRA/30)
  - Do NOT have to reach 20 years of covered service
  - Are NOT subject to Mandatory retirement
  - Select overtime is included in the high-3 (up to $22,500 in 2021)
  - Receive an enhanced pension for their LEO-covered years

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Spousal Survivor Benefits

- There is not a specific enhancement to the spousal Survivor Benefit Plan because you are a LEO
- However, your spouse can choose to protect up to 50% of your LEO pension (which is naturally higher than regular employees)

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Annual Leave Payout

- When you retire/separate from federal service, your unused annual leave balance will be paid to you in lump sum shortly after retirement
- This payout is based on the type of pay that counts for retirement purpose (therefore, it includes LEAP)
- The calculations:
  - Your hourly rate: Final Annual Salary ÷ 2,087 hours
  - Your annual leave payout: Hourly rate x # of hours = $

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Social Security

- There is not a specific enhancement to Social Security just because you are a LEO
- However, because you are a higher earner, your Social Security benefits will naturally be higher than a lower earner
- NOTE: The maximum wages subject to SS tax for 2021 is $142,800

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Special Retirement Supplement

- The FERS SRS was designed to provide a benefit similar to Social Security prior to age 62
- If you are retiring under a LEO retirement (not necessarily a LEO position), you will receive this benefit from your retirement age until age 62
- No COLAs are applied to the SRS for ANY employee

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Special Retirement Supplement

- This is not guaranteed income (meaning, if you make too much, it can be penalized)
- This penalty is known as the "SRS Earnings Test":
  - Under your Minimum Retirement Age, there is no penalty
  - Between MRA & 62, penalty is applied if wages exceed $18,950/yr

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

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Federal Employees Group Life Insurance

- FEGLI coverage is based on your base pay
- For LEOs, this base pay DOES include your LEAP!
  - Basic: Salary rounded up to the nearest $1k and add $2k
  - Option B: Salary rounded up to nearest $1k and multiply (1-5)
- Example for employee with $127,500 (salary & LEAP):
  - Basic: $130,000
  - Option Bx5: $640,000

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Federal Employees Group Life Insurance

- Unique considerations for LEOs:
  - While working, it is relatively inexpensive (mainly because of your age)
  - Given your work, you should give proper consideration to having correct protections in place
  - You are still young enough to have the chance to get private life insurance and lock in low premiums

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Thrift Savings Plan

- TSP Match is based on your base pay (including LEAP)
- TSP Roth opportunity is huge for LEOs for several reasons:
  - Naturally younger workforce
  - Highly paid
  - Longer time before you need the money

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Thrift Savings Plan

- TSP Withdrawal tax implications are determined based on the age when you separate or retire from federal service. For LEOs, here are the two rules:
  - If you retire/separate from federal service BEFORE the calendar year in which you turn age 50, you will suffer a 10% withdrawal on ALL MONEY you take as a distribution prior to age 59 ½
  - If you retire/separate from federal service IN or AFTER the calendar year in which you turn age 50, you AVOID the IRS's 10% early withdrawal penalty

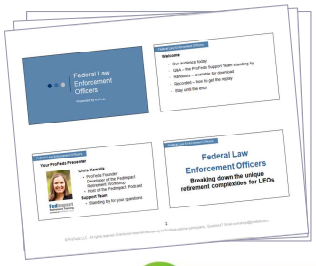
Planning Considerations

- If you retire in your late 40's – mid 50's, you may not be able to STAY retired without long-term consequences
  - Having enough income to continue your standard of living
  - Accessing TSP too early can deplete your account too rapidly
- What happens if you want to keep working beyond your mandatory retirement age?
  - Move to a non-covered position (within the federal govt)
  - Move to the private sector

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**

Handouts & Replay



LINK TO REPLAY

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

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Next Webinar

- Next webinar topic!
  - **The Roth TSP Advantage:** How to pay tax ONCE – and never again!
  - Sign-up at: **FedImpact.com/Webinar**

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