



Special Retirement Supplement

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!

Special Retirement Supplement

Your ProFeds Presenter



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- » Developer of the FedImpact Retirement Workshop
- » Host of the FedImpact Podcast



Support Team

- » Standing by for your questions

Special Retirement Supplement

FERS Special Retirement Supplement

A unique benefit for select FERS employees

Agenda

- » Understand who is eligible and when it is payable
- » Calculate the benefit amount (and what does NOT count in that figure!)
- » Review how making too much money may leave this benefit lower than expected – or completely disappear
- » Appreciate why this benefit is regularly on Congress' chopping block

PURPOSE

SRS Purpose

- » To provide a benefit similar to SS for FERS who retire prior to age 62
- » This benefit is payable between their retirement age up to age 62
- » This benefit ends at age 62 when eligible for SS benefits (even if someone decides to draw SS at a later age)
- » Receiving SRS affects Social Security in no way

Important Notes

- » This benefit is automatic and free
- » SRS is included in the FERS pension check from OPM
 - NOTE: You will not receive this payment until your pension is finalized by OPM, but you will receive a retroactive payment for any missed payments

ELIGIBILITY

Eligibility for the SRS

- » An employee must:
 - perform at least 1 full calendar year under FERS, AND
 - retire on an immediate, non-disability pension
- » Some restrictions apply based on the type of retirement one retires under
 - NOTE: FERS retiring under MRA+10 rules or Deferred retirement rules are NOT eligible to receive the Special Retirement Supplement

Eligibility for the Special Retirement Supplement

Receive SRS immediately	Receive SRS once they reach their MRA (55-57)
MRA with 30 years	Discontinued Service & Early Out retirees when MRA is reached
Age 60 with 20 years	Military Reserve Technicians who are age 50 with 25 years and lose their military status
Law Enforcement Officers, Firefighters and Air Traffic Controllers at any age	Members of Congress at age 50 with 20 years, or MRA with 25 years

CALCULATION

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Calculating the Benefit

- » Only includes years as a FERS employee (not CSRS years or military years – even if they count for the pension)
- » The calculation uses the number of years of FERS service rounded to the nearest whole year of service
 - ## years and less than 6 months of service, round down
 - ## years and more than 6 months of service, round up

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Calculating the Benefit

Special Retirement Supplement Formula

$$\text{SS benefit at age 62} \times (\# \text{ years of FERS service} \div 40) = \text{Benefit}$$

Example:

30 years service (4 military) & monthly SS benefit at age 62 of \$1,200

$$\$1,200 \times (26 \div 40) = \$780/\text{mo}$$

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COST OF LIVING ADJUSTMENTS

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Cost of Living Adjustments

- » No COLAs applied to the SRS for any employee
- » Benefit is calculated once (at retirement), and remains the same until age 62 when it stops

EARNINGS TEST

The Earnings Test

- » “Earnings Test” is a fancy phrase for penalty
- » It applies if both of these are true:
 - Person is drawing SRS benefits, AND
 - Their wages exceed the limit of \$18,950/year (for 2021)
 - NOTE: “Wages” do not include income from a pension, TSP, other investments, etc.

The Earnings Test

- » How the Earnings Test is calculated
 - The SRS benefit will be reduced by \$1 for every \$2 of earnings over the allowable limit of \$18,950/year (for 2021)
 - Penalty assessed the following year
- » Example:
 - A person has \$780/mo in SRS benefit
 - Once they make more than \$37,670/year, they will lose all of their SRS benefits the following year

The Earnings Test

- » Special Provision Employees
 - LEO/FF/ATC are not subject to the earnings test until they reach their MRA (55-57)
 - They will receive the full SRS benefit until their MRA
 - Once they reach their MRA, the earnings test will apply based on earned income from that point until age 62

TAXES

Taxes on the Special Retirement Supplement

- » Federal taxes
 - Taxed as ordinary income (just like the pension)
- » State taxes
 - Taxed as ordinary income (just like the pension)

Taxes on the Special Retirement Supplement

- » State taxes
 - FERS pensions (including the SRS) are typically treated as ordinary income at the state level
 - Retiree-friendly states
 - Some states do not tax any income for any resident
 - Some states specifically do not tax CSRS/FERS pensions

No income tax & (therefore no taxation of CSRS/FERS pensions)

Alaska	Tennessee
Florida	Texas
Nevada	Washington
New Hampshire	Wyoming
South Dakota	

Source: State Tax Departments

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With income tax, but specifically excludes taxation of the entire CSRS/FERS pensions

Alabama	Massachusetts
Hawaii	Mississippi
Illinois	New York
Kansas	Pennsylvania
Louisiana	

Source: State Tax Departments; In addition, five states (Kentucky, Michigan, North Carolina, Oklahoma and Oregon) exempt certain federal pensions from taxation. Some exemptions depend on the taxpayer's age or dates of government service.

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QUICK RECAP

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Quick Recap

- » SRS is payable to most feds retiring under age 62
- » It is based on service years and SS benefit at age 62
- » The amount stays level until age 62 when it stops
- » If you make too much money, you may not receive it
- » Plan to pay taxes on the SRS (just like your pension)

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Get the Rest of the Story

CSRS & FERS Pensions • FLCIP • TSP
Survivor Benefit Plan • Social Security
FERS Supplement • FEGLI • FEHB

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RETIRING FROM FEDERAL SERVICE**

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U.S. Office of Personnel Management

"The most information I have ever received and related to my 33/33 military and federal years."
U.S. Department of Defense

FEDIMPACT
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GSA Schedule
Contract #75084NDC0001

- » 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 and Replay



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

Next Webinar



- » Next webinar topic!
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