



Deferred Retirement: What You Get & Give Up

Welcome

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- » 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!

Deferred Retirement: What You Get & Give Up

Your ProFeds Presenter



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- » Host of the FedImpact Podcast



Support Team

- » Standing by for your questions

Deferred Retirement: What You Get & Give Up

**Deferred Retirement:
What You Get & Give Up**

**Exiting federal service before you
can get an immediate pension**

Agenda

- » **ELIGIBILITY:** Who qualifies for a deferred retirement
- » **PENSION:** How much of a pension can you expect to receive
- » **TIMING:** When you can expect to begin receiving your pension
- » **OPTIONS:** What choices do you have if you don't want to wait
- » **BENEFITS:** What happens to your other federal benefits

What this webinar will NOT cover

Full Eligibility

- » Age & Years
- » Voluntary decision
- » No approval necessary
- » Pension starts immediately
- » No penalties are applied

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

Minimum Retirement Age

Born in	MRA
1947 & earlier	55
1948	55 & 2 months
1949	55 & 4 months
1950	55 & 6 months
1951	55 & 8 months
1952	55 & 10 months
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

“Deferred Resignation Program” vs. “Deferred Retirement”

- » **Deferred Resignation Program:** This is NOT a type of retirement. Rather, this is an invitation for federal employees to voluntarily leave service under a variety of conditions (and with some perks):
 - Fully-eligible
 - VERA (early out)
 - Not eligible for any pension ever
 - MRA+10
 - Deferred
- » **Deferred Retirement:** This is a type of retirement that provides a pension that is payable in the future and could be a voluntary choice to separate OR involuntary (RIF)

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NOTE: DRP is not a type of retirement

Determine if (and When) You are Eligible for a FERS Pension																																
YRSP- YAGE	<5	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30					
<50	NO PEN- SION																							*	*	*	*	*	*	*	*	*
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62+																						*	*	*	*	*	*	*	*	*		

Some FERS employees born prior to 1970 may be either "fully-eligible" or eligible for an "MRA+10" retirement a few months prior to age 57.

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NO PENSION

No pension payable (ever)

DEFERRED

A pension payable in the future
(must wait until 62 if 5-19 years; 60 if 20-29; MRA if 30+)

* VERA/DSR

A pension payable now with no penalties (must be granted)

MRA+10

A pension payable now with penalties (5% for each year <62)
(to avoid penalty: start at 62 if 10-19 years; 60 if 20-29; MRA if 30+)

FULLY-ELIGIBLE

A pension payable now with no penalties

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Eligibility

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Who is Eligible for a Deferred Pension?

- » Federal employees who have at least 5 years of federal service, but don't qualify for an immediate pension (like full-eligibility, MRA+10, VERA, or DSR)
- » This includes special category employees (Federal Law Enforcement Officers, Firefighters and Air Traffic Controllers), but the pension will be calculated like a regular employee



FERS Pension

How is a Deferred Pension Calculated?

- » The calculation for a deferred pension is exactly the same as the regular pension formula
- » The only difference is that you won't receive it right away

Regular FERS 1.0% formula*
(Deferred pensions always use this formula)

$\text{High-3} \times 1.0\% \times \text{\# of years} = \text{Pension}$

Example:

FERS employee with
10 years of service & \$100,000 High-3

$\$100,000 \times 1.0\% \times 10 = \$10,000/\text{yr}$

* Deferred pensions are never calculated at the 1.1% rate.

When Does My Deferred Pension Start?

- » The deferred pension (with no penalty) starts based on your length of service:
 - If you had 5-19 years of service, it starts at age 62
 - If you had 20-29 years of service, it starts at age 60
 - If you had 30+ years of service, it starts at your MRA
- » NOTE: If you had 10+ years of service, you can begin to receive the pension at your MRA, but you will suffer a permanent 5% penalty for every year you are under age 62 (if MRA is age 57, you'll have a 25% penalty forever)

Do I Get COLAs in Retirement?

- » Yes - You will receive a Cost of Living Adjustment once you reach age 62
- » However, there is no COLA between the time you separate and the time you turn age 62
 - Example: If you separate at age 40 with a deferred pension payable at age 62, that figure is not adjusted for inflation between age 40 and 62

Refunds



Can I Take a Refund of My FERS Contributions?

» Yes you can:

- Upon separation, you can choose to receive a refund of your FERS contributions instead of receiving a pension later
- This amount is equal to what you have personally contributed into FERS (either 0.8%, 3.1%, or 4.4% of your salary throughout your federal career)
- Most pay stubs show the amount you've contributed so far
- If you take a refund, you forfeit any future pension that would otherwise be payable to you

Is it Better to Take a Refund or Wait for a Pension?

» Scenario:

- \$10,000/year pension
- \$30,000 FERS contribution

» It depends on a number of factors:

- How long do you have to wait to start your pension?
- How long will you live while drawing your pension?
- If you take a refund, what are you doing with the money?

What Happens if I Return to Service Later?

» Upon re-entry into federal service, the following will happen:

- If you took a refund of your FERS contributions, you must pay that back (with interest) for that time to count toward eligibility or pension calculation
- If you did NOT take a refund of your FERS contributions, you will simply have had a "break-in-service" and pick up where you left off (other benefits can also be restored)

Other benefits



What Happens to My Other Federal Benefits?

- » You will lose the following benefits forever:
 - Health insurance (FEHB)
 - Dental and Vision insurance (FEDVIP)
 - Life insurance (FEGLI)
 - Special Retirement Supplement (SRS)
- » You can keep the following benefits:
 - Long Term Care insurance (FLTCIP)
 - Thrift Savings Plan (TSP)

What Happens to My Annual Leave & Sick Leave?

- » Annual leave is payable as normal at the time you separate from federal service (usually payable within a few weeks)
- » Sick leave is forfeited upon separation (so if you didn't use it all before that point, you lose it)



Survivor Benefits

Will My Spouse Get My Pension if I Die First?

- » When you file to begin receiving your pension, you will make an election for the Survivor Benefit that your spouse will receive upon your death:
 - 50% of your pension (you'll pay 10% while living)
 - 25% of your pension (you'll pay 5% while living)
 - 0% of your pension (you won't pay anything while living)
- » NOTE: If you are married when your pension starts, your spouse is entitled to a 50% Survivor Benefit (and must provide notarized consent for a lesser amount)

What if I Die Before My Deferred Pension Starts?

- » If you die prior to your pension starting, your spouse will not receive any survivor benefit
- » Use SF-3102 to name a beneficiary to receive a refund of your FERS contributions if you should die before your pension starts

TSP



Can I Access My TSP Once I Separate?

- » When you separate from federal service, you will have access to TSP just like if you had retired
- » Generally, TSP funds are accessible approximately 30 days after you separate from service
- » You can leave the money in the TSP or move it to another type of account (like a Traditional or Roth IRA)

Will I Be Penalized if I Take Money from TSP?

- » The IRS penalizes employees who take money out of accounts like the TSP too early (imposing penalties prior to age 59 ½)
 - If you will be at least age 55 on 12/31 of the year you separate, you have penalty-free access to the TSP
 - If you will NOT be at least age 55 on 12/31 of the year you separate, you will have a 10% early withdrawal penalty on all money you receive from TSP prior to age 59 ½



Forms

What Forms Do I Use?

- » When you leave service:
 - Complete SF-52 Request for Personnel Action to initiate your resignation
- » When you are ready for your pension to start:
 - File form RI 92-19 Application for Deferred Retirement approximately 60 days prior to the date you wish for your pension to begin

Wrap-up



Wrap-Up

- » Once you have at least 5 years of federal service, you are considered “vested” for a federal pension
- » If you don’t qualify to retire with an immediate pension (based on your age and service), you will be eligible for a deferred retirement to be paid at a later date
- » Most federal benefits are lost (and cannot be regained) with a deferred retirement
- » Getting clarity on YOUR numbers will help you to make important decisions

“When you know your numbers, your decisions become more obvious”

Handouts and Replay



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

Next Webinar



- » Next webinar topic!
 - **COLAs vs. Pay Raises: What is the difference?**
Understand the distinction between the two (and why it matters)
- » Sign-up at:
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**DISCOVER HOW TO BE THE HERO
IN YOUR OWN RETIREMENT STORY**



Retire with confidence.

- » Attend a workshop:
 - In-person training
 - No cost to attend
 - Covers all of the federal benefit topics and decisions to be made
 - One-on-one help available
- » See all the details at:
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and news updates



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