



Retiring Under the FERS MRA+10 Rules



Retiring Under the FERS MRA+10 Rules

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!

Retiring Under the FERS MRA+10 Rules

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

Retiring Under the FERS MRA+10 Rules

Retiring Under the FERS MRA+10 Rules

**What you gain, what you lose and
what you never get back**

Retiring Under the FERS MRA+10 Rules

Agenda

- » MRA+10 Rules
 - Who qualifies
 - What's the catch?
- » Review a case study to assess outcomes
 - Income: Pension, Social Security, Supplement, TSP
 - Benefits: Survivor Benefits, FEGLI, FEHB
- » Let's first address what this webinar will NOT cover

Retiring Under the FERS MRA+10 Rules

MRA+10 is NOT an “Early Out” or “Deferred Retirement”

- » Early Out Retirement (VERA)
 - A voluntary decision to retire earlier than usual with no penalties (but this must be offered to you by your agency)
 - You get to keep your benefits like FEHB, FEGLI and SRS
- » Deferred Retirement
 - A voluntary decision to retire with at least 5 years of service, but without meeting the normal age requirement
 - You lose all benefits like FEHB, FEGLI and SRS

Retiring Under the FERS MRA+10 Rules

Full Eligibility to Retire

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

Retiring Under the FERS MRA+10 Rules

MRA+10 Retirement

- » Only applies to FERS employees who:
 - have NOT met the requirements to be “fully eligible,” but:
 - have reached their Minimum Retirement Age (55-57), AND
 - have at least 10 years of creditable years of service (at least 5 years must be federal, but the remainder may be military)

FERS MRA+10 Eligibility	
Age	Years
MRA (55-57)	10
Penalties apply to the pension!	

Retiring Under the FERS MRA+10 Rules

Two Options for Starting the Pension

» OPTION #1: Start pension right away:

- The pension is permanently penalized by 5% for every year you are under age 62 when you leave service
- Months are prorated (each full month under age 62 adds ~0.42% to the penalty)

FERS MRA+10 Penalties	
If You Leave at Age...	Penalty
57	25%
58	20%
59	15%
60	10%
61	5%

Retiring Under the FERS MRA+10 Rules

Two Options for Starting the Pension

» OPTION #2: Postpone pension:

- To avoid the penalty, wait until you reach either age 60 or 62 (depending on the years of service you have):
 - Those with 10-19 years of service must wait until age 62
 - Those with 20-29 years of service must wait until age 60
- To mitigate the penalty, get closer to age 60 or 62 above

NOTE: Although they may sound the same, do not confuse the word “postpone” with “defer” for federal pensions!

Retiring Under the FERS MRA+10 Rules

Avoiding or Mitigating the MRA+10 Penalty
If you have 10-19 years of service when you leave

If You Leave at Age...	Penalty if You Draw at Age 57	Penalty if You Draw at Age 58	Penalty if You Draw at Age 59	Penalty if You Draw at Age 60	Penalty if You Draw at Age 61	Penalty if You Draw at Age 62
57	25%	20%	15%	10%	5%	None
58		20%	15%	10%	5%	None
59			15%	10%	5%	None
60				10%	5%	None
61					5%	None

Retiring Under the FERS MRA+10 Rules

Avoiding or Mitigating the MRA+10 Penalty
If you have 20-29 years of service when you leave

If You Leave at Age...	Penalty if You Draw at Age 57	Penalty if You Draw at Age 58	Penalty if You Draw at Age 59	Penalty if You Draw at Age 60	Penalty if You Draw at Age 61	Penalty if You Draw at Age 62
57	25%	20%	15%	None	None	None
58		20%	15%	None	None	None
59			15%	None	None	None
60				N/A (fully eligible)	N/A (fully eligible)	N/A (fully eligible)
61					N/A (fully eligible)	N/A (fully eligible)

Retiring Under the FERS MRA+10 Rules

Direct Consequences on Other Benefits

- » If you take an MRA+10 retirement:
 - You are NOT eligible for the **Special Retirement Supplement** (usually paid to FERS employees retiring under age 62)
 - You ARE still eligible for **FEHB** and **FEGLI** coverage, but you must be drawing the pension for the coverage to be active
 - NOTE: If you voluntarily postpone receiving the pension (to avoid the penalty), FEHB and FEGLI will be lost temporarily, but will be restored when you begin receiving the pension as long as you met the normal 5-year enrollment requirement prior to leaving federal service

Retiring Under the FERS MRA+10 Rules

Indirect Consequences on Other Benefits

- » If you take an MRA+10 retirement, you will have a:
 - **Lower pension calculation** because a lower high-3 average salary and fewer years are included in the pension than if you waited until being fully eligible, plus any penalties!
 - **Lower survivor benefits** for a spouse since the starting pension will be lower than if you wait until fully eligible
 - **Smaller Thrift Savings Plan** (fewer years to contribute)
 - **Smaller Social Security benefits** (fewer years to contribute)

Retiring Under the FERS MRA+10 Rules

Our Case Study Today



Retiring Under the FERS MRA+10 Rules

Our Case Study Today

Wendy



Age 57
with 27 years

- » Wendy's Current Situation:
 - Age: 57
 - Years: 27
 - Salary: \$98,355/yr
 - TSP: \$32,500/yr
 - SS at 62: \$1,200/mo
 - FEGLI: Had for past 5+ years
 - FEHB: Had for past 5+ years

Our Case Study Today

Wendy



Age 57
with 27 years

» Scenarios Wendy is considering:

- Wait until she is fully eligible
- Retire now and draw pension right away (with a penalty)
- Retire now and postpone the pension (she may or may not take another job for a few years)

SCENARIO #1:
Wendy keeps working until she is fully eligible

Calculating the Pension if She Waits to Retire (age 60)

» Wendy will be fully eligible to retire at age 60 with 30 years of service and anticipates a high-3 average salary of \$100,000:

Regular FERS 1.0% formula
(retiring under age 62 **OR** at least age 62, but with less than 20 years of service)

Example:
FERS employee at age 60 with 30 years of service & \$100,000 High-3

High-3 x 1.0% x # of years = **Pension**

\$100,000 x 1.0% x 30 = **\$30,000/yr**

If Wendy WAITS TO RETIRE until age 60						
Age	Paycheck	Pension	SRS	TSP add	TSP match	FEHB/FEGLI
57	\$98,355			\$32,500	\$4,918	YES
58	\$100,322			\$32,500	\$5,016	YES
59	\$101,325			\$32,500	\$5,066	YES
60		\$30,000	\$10,800			YES
61		\$30,000	\$10,800			YES
62		\$30,780				YES
63		\$31,580				YES
64		\$32,401				YES

Retiring Under the FERS MRA+10 Rules

SCENARIO #2: Wendy retires now and draws pension right away (with a penalty)

Retiring Under the FERS MRA+10 Rules

Calculating the MRA+10 Pension

- » The starting pension is based on the normal FERS 1.0% formula, and then penalized

Regular FERS 1.0% formula
(retiring under age 62 **OR** at least age 62,
but with less than 20 years of service)

High-3 x 1.0% x # of years = **Pension**

Example of MRA+10:
FERS employee at age 57 with
27 years of service & \$96,000 High-3

\$96,000 x 1.0% x 27 = **\$25,920/yr**

PENALTY: \$25,920 x 25% = **\$6,480/yr**

FINAL PENSION: \$19,440/yr

Retiring Under the FERS MRA+10 Rules

If Wendy **TAKES** MRA+10 (w/ penalty) at age 57

Age	Paycheck	Pension	SRS	TSP add	TSP match	FEHB/FEGLI
57		\$19,440				YES
58		\$19,440				YES
59		\$19,440				YES
60		\$19,440				YES
61		\$19,440				YES
62		\$19,945				YES
63		\$20,464				YES
64		\$20,997				YES

Retiring Under the FERS MRA+10 Rules

SCENARIO #3: Wendy retires now and postpones the pension (to avoid the penalty)

Retiring Under the FERS MRA+10 Rules

If Wendy TAKES MRA+10 at age 57 (but postpones until age 60)

Age	Paycheck	Pension	SRS	TSP add	TSP match	FEHB/FEGLI
57						
58						
59						
60		\$25,920				YES
61		\$25,920				YES
62		\$26,593				YES
63		\$27,285				YES
64		\$27,995				YES

Retiring Under the FERS MRA+10 Rules



Retiring Under the FERS MRA+10 Rules



**Wendy gets
to pick the
winner**

Retiring Under the FERS MRA+10 Rules

When You Decide to Start Your Pension

- » When you LEAVE SERVICE and when you START DRAWING your pension are two separate decisions
 - When you leave service, you may have an idea of when you plan to start your pension (but you can change your mind at any time)
 - When you are ready to begin receiving your pension, you will submit form RI 92-19 to OPM (submit approximately 60 days prior to when you want your first payment to begin)

Retiring Under the FERS MRA+10 Rules

Wrap-Up

- » There's a lot that goes into the decision of when to retire (one that shouldn't be taken lightly)
- » This is a decision you must live with for the rest of your life, so take the time to carefully consider the long-term implications of your decision

Retiring Under the FERS MRA+10 Rules



DISCOVER HOW TO BE THE HERO IN YOUR OWN RETIREMENT STORY

"The workshops you delivered provided me phenomenal. I enjoyed the presentation as well as the class participation and interaction."
U.S. Office of Personnel Management

"The most information I have ever received and heard in my ENTIRE military and 30+ years."
Lt. Colonel, Department of Defense



- » Attend a workshop:
 - In-person sessions
 - No cost to attend
 - Covers all of the federal benefit topics and decisions to be made
- » See all the details at:
FedImpact.com/Attend

Retiring Under the FERS MRA+10 Rules

Handouts and Replay



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

Retiring Under the FERS MRA+10 Rules

Next Webinar



- » Next webinar topic!
 - **The 1-2-3 Tax Punch of the Health Savings Account**
What you must know about HSAs before the next FEHB Open Season
- » Sign-up at:
FedImpact.com/Webinar

Thank you for joining us

Stay tuned for benefits
and news updates



FIND A WORKSHOP

FedImpact.com/Attend

NEXT WEBINAR

FedImpact.com/Webinar

FOLLOW US ON SOCIAL

@FedImpact

