FERS Special Retirement Supplement

FEDIMPACT
Retirement Training by PROFEDS

Special Retirement Supplement

Welcome

- » Our audience today
- » Questions you submitted
- » 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

FEDIMPACT
Retirement Training by PROFEDS

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- » ProFeds Founder
- » 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

Special Retirement Supplement

Agenda

- **ELIGIBILITY:** Who is eligible to receive this benefit
- **BENEFIT:** What factors are used to calculate the amount
- **TIMING:** Why retirees experience long delays in receiving payments
- **PENALTIES:** What causes this benefit to be penalized or eliminated completely

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Purpose

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SRS Purpose

- To provide a benefit similar to Social Security (SS) for FERS who retire prior to age 62
- Benefit is payable between their retirement age up to age 62
- Benefit ends at age 62 when eligible for SS benefits (even if someone decides to draw SS at a later age)

The FERS Special Retirement Supplement was created as part of the 3-legged retirement plan for FERS employees.

It was designed to compensate for those who were eligible to leave service prior to being eligible for Social Security benefits.

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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 and Timing of 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

NOTE: Those retiring under MRA+10, Deferred or Disability retirements are NOT eligible for the SRS

Minimum Retirement Age

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

Calculation

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How it is Paid

- This benefit is automatic and free (no election needed)
- This benefit does NOT affect Social Security in any way (this is not “early” Social Security, and it does not affect options you have for choosing when to start Social Security payments)
- This benefit is paid along with your FERS pension

⚠ *You will NOT receive SRS payments while in an “interim” status. Once you begin to receive your finalized pension from OPM, you will receive a retroactive lump-sum of SRS payments missed.*

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The Calculation

- There are two components to this formula:
  - The # of years of FERS service you have (rounded up/down to the nearest full year)
    - CSRS years or military years are not included in this calculation (even if they count for the pension)
    - Part-time service years are treated as full-time years
  - The estimated amount of Social Security benefit you would be eligible to receive at age 62

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Calculating the Benefit

Special Retirement Supplement Formula
SS benefit at age 62 x (# years of FERS service ÷ 40) = Benefit

Example: 30 years service (4 military) & monthly SS benefit at age 62 of $1,200
$1,200 x (26 ÷ 40) = $780/mo

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Estimating Your FERS Supplement Amount

# YEARS OF FERS SERVICE	SOCIAL SECURITY AT AGE 62: $500	$1,000	$1,500	$2,000	$2,500	$3,000
5	$62	$125	$187	$250	$312	$375
10	$125	$250	$375	$500	$625	$750
15	$187	$375	$562	$750	$937	$1,125
20	$250	$500	$750	$1,000	$1,250	$1,500
25	$312	$625	$937	$1,250	$1,562	$1,875
30	$375	$750	$1,125	$1,500	$1,875	$2,250
35	$437	$875	$1,312	$1,750	$2,187	$2,625
40+	$500	$1,000	$1,500	$2,000	$2,500	$3,000

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Estimating Your FERS Supplement Amount

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30	[illegible]	[illegible]	$1,125	$1,500	$1,875	$2,250
35	$437	$875	$1,312	$1,750	$2,187	$2,625
40+	$500	$1,000	$1,500	$2,000	$2,500	$3,000

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Timing of Payments

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The Typical SRS Timeline

- You leave service
- Interim PENSION payments begin — ~2 months after
- OPM finalizes retirement & pays retroactive PENSION + SRS — ~5-7 months after
- Monthly payments for PENSION + SRS — Monthly
- SRS payments stop — Age 62

At 62, you will decide whether to begin Social Security or wait

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Cost of Living Adjustments

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Cost of Living Adjustments

- » No COLAs applied to the Special Retirement Supplement for any employee (regardless of type)
- » The benefit amount is calculated once (at retirement), and remains the same until age 62

Since there are no COLAs applied to the SRS, the purchasing power of this money dwindles as inflation rises.

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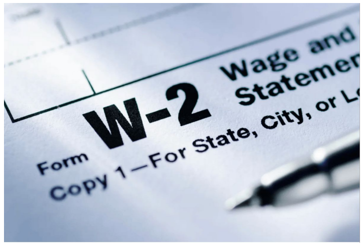

Earnings Test

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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 $24,480/yr (for 2026)
- » This limit is subject to change each year

Wages are only earned in a current job you have – they do not include income from a pension, TSP, other investments, etc.

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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 $24,480/yr (for 2026)
  - Penalty assessed the following year
- » Example:
  - A person has $780/mo in SRS benefit
  - Once they make more than $43,200/yr, they will lose all of their SRS benefits the following year

Each year, OPM sends you Form RI 92-22 “Annuity Supplement Earnings Report” to report your gross earned income for the prior calendar year.

The Earnings Test

» Special Provision Employees
  - LEO/FF/ATC are not subject to the earnings test until they reach their Minimum Retirement Age (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

For the Supplement, MRA always means Minimum Retirement Age (age 55-57, depending on the year you were born). Do not confuse this with "Mandatory Retirement Age" (57 for LEO/FF; 56 for ATC).

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

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States with no income tax (therefore no taxation of the CSRS/FERS pension or the Special Retirement Supplement)		
Alaska	New Hampshire	Texas
Florida	South Dakota	Washington
Nevada	Tennessee	Wyoming

Source: State Tax Departments

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States with income tax, but specifically excludes taxation of the entire CSRS/FERS pension or the Special Retirement Supplement		
Alabama	Kansas	Mississippi
Hawaii	Louisiana	New York
Illinois	Massachusetts	Pennsylvania

Source: State Tax Departments
Other states exempt certain amounts of federal pensions from taxation and may depend on the taxpayer's age or dates of government service.

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Wrap-Up

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Wrap-Up

- » 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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- » Attend a workshop:
  - In-person sessions
  - 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: FedImpact.com/Attend

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Handouts and Replay

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

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Next Webinar

- » Next webinar topic!
  - **Social Security for Federal Employees**
  - Key factors to consider before starting benefits at 62, 67 or 70
- » Sign-up at: FedImpact.com/Webinar

Thank you for joining us

Stay tuned for benefits and news updates

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