

# Delayed Retirement: Benefits and TSP Considerations

By Tammy Flanagan

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In [last week's column](#), we began to explore some of the issues to consider for employees who continue to work past age 65 and delay their retirement. A recent MetLife Mature Market Institute research study, [Engaging the 21st Century Multigenerational Workforce](#), reported that older workers are more likely to have higher levels of engagement with their work than younger employees. This could explain why some of people continue to work even if they have a generous retirement benefit and might be eligible and able to retire.

Last week, we looked at the considerations and options for such employees regarding Social Security and Medicare. This week, we'll explore some of the issues surrounding basic government pension benefits and the Thrift Savings Plan.

## Civil Service Retirement System

The basic annuity of any employee covered by CSRS may not exceed 80 percent of the employee's high-three average salary (not including credit for unused sick leave, which can cause the benefit to exceed 80 percent). Ordinarily, total service of 41 years 11 months results in the maximum annuity.

The 7 percent CSRS retirement deductions (some CSRS employees pay a little more and CSRS Offset employees have this deduction reduced by the 6.2 percent FICA tax) withheld from the first of the month after an employee has worked long enough to achieve the maximum annuity, plus 3 percent interest compounded annually to the date of retirement, are automatically applied toward any unpaid [civilian service credit deposits](#).

The Office of Personnel Management then refunds any balance of excess retirement contributions with the initial CSRS annuity payment. The retiree is advised by letter of the amount of additional annuity the excess deductions and interest would purchase if they would like to return the contributions. If the retiree returns the excess deductions and interest to OPM, this amount is treated as [voluntary contributions](#) and the annuity is recomputed accordingly.

## Federal Employees Retirement System

Employees who are at least 62 when they retire and have at least 20 years of total creditable service (including CSRS service if their FERS annuity includes a CSRS component) have their retirement benefit computed using 1.1 percent (instead of 1 percent) of their high-three average pay, multiplied by their total years and months of creditable service under FERS.

The extra 10 percent is a significant increase in the FERS calculation — it's enough, for example, to cover the cost of a spousal survivor election. Suppose Jane and John both have a high-three average salary of \$80,000, but Jane retires at 60 with 20 years of service. She will receive 20 percent of \$80,000, or a basic benefit of \$16,000 per year. If John retires at 62 with 20 years of service, he will receive a benefit of 22 percent of \$80,000, or \$17,600 a year. If he provides his wife with the maximum spousal survivor annuity, his retirement will be reduced by 10 percent, to \$15,840 per year — almost the same as Jane's unreduced benefit.

Also, Jane would be entitled to receive a FERS Supplement between age 60 and 62, until she qualifies for Social Security retirement benefits. Social Security benefits are based on your lifetime of wages, but the FERS supplement is computed only based on your civilian salary under FERS.

## Thrift Savings Plan

Mike Causey of Federal News Radio [reported this week](#) that there are currently almost 10,000 people with more than \$1 million in their TSP accounts. Whether you plan to spend the money you've saved or leave it to your heirs, by remaining employed, you may continue contributions to the TSP. FERS employees, regardless of age, receive agency automatic and matching contributions throughout their career.

The [deadline for withdrawing your TSP funds](#) is April 1 of the year following the year you reach age 70½. But that doesn't apply until you have left federal service. The TSP requires that you withdraw your entire account balance in a single payment, begin receiving monthly payments, purchase a life annuity, or use a combination of these withdrawal options. But as long as you're still on the job, you don't have to do any of those things.

If you would like to withdraw from the TSP even while continuing to work, you can choose to take a one-time in-service withdrawal after reaching age 59½. If you make an age-based withdrawal, you will not be eligible to receive a partial withdrawal from the same account after you separate from service. Age-based withdrawal payments are considered eligible rollover distributions for federal income tax purposes and are subject to mandatory 20 percent federal income tax withholding.

You may also directly transfer an age-based withdrawal payment to an individual retirement account. For more detailed information about the tax rules affecting in-service withdrawals, read this [notice from the TSP](#).

## Putting It Off

If you are engaged at work and would like to continue to contribute to your TSP, earn your full salary, increase your retirement benefit, delay enrollment in Medicare Part B without penalty, and begin receiving your Social Security benefit at your full retirement age (even if you are still working), then you may be a candidate for delayed retirement.

If you have at least 15 years of federal service, then earning one day of annual leave every pay period means that you can still arrange to be retired for 26 days every year — plus weekends and holidays. I still remember the [obituary of Emil Corwin](#), the longest-serving federally employed spokesperson. He retired in 1999 at age 96 from the Food and Drug Administration. Mr. Corwin still got to enjoy his retirement for 11 years, because he didn't pass away until 2011 at age 107.

Who knows — maybe you, too, will decide that retirement is for someday, just not today.

*Photo: Flickr user [tec\\_estromberg](#)*

**Correction:** Due to an editing error, the "Jane and John" example above misstated the amount John's benefit would be if he chose the maximum spousal survivor annuity. The column has been updated to correct the error.

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<http://www.govexec.com/pay-benefits/retirement-planning/2017/02/delayed-retirement-benefits-and-tsp-considerations/135677/>