

## The Other Open Season This Year

By Tammy Flanagan

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Earlier this year, I wrote about a [rare event coming up this fall](#): an open season for the Federal Employees Group Life Insurance program. FEGLI is the largest group life insurance program in the world, covering over 4 million federal employees and retirees, as well as many of their family members. During the open season, employees can increase their life insurance without having a qualifying life event or needing to prove insurability.

If you're getting close to retirement, you should know that in order to maintain any added coverage in retirement, the coverage must remain in effect for at least five years prior to your retirement date and you must be eligible for an immediate (as opposed to deferred) retirement.

Let's look at some of your FEGLI options, and how they move with you into retirement.

### Basic

Most employees have been enrolled in Basic FEGLI since the day they were hired (unless they waived this coverage). It is valued at your current salary (including locality pay) rounded up to the next \$1,000, plus \$2,000. Every time you receive a promotion, step increase or other pay adjustment, the amount of basic life insurance goes up automatically. The payout for basic insurance doubles if the employee dies at age 35 or younger. This extra benefit decreases 10 percent each year until it goes away for those aged 45 and above.

As a federal employee, you are paying 15 cents per \$1,000 of salary biweekly to maintain basic FEGLI, regardless of your age or your health. For basic coverage, employees pay two-thirds of the premium determined by OPM, and their employing agencies pay the remaining third.

At the time of your retirement, your basic life insurance will be based on the value of your basic pay rate on the last day of employment. If you are younger than 65, this coverage will continue with no reduction until you turn 65 and are retired (whichever happens later). The monthly premium is 32.5 cents per \$1,000 per month. Once you're 65 and retired, the premiums end and the coverage reduces by 2 percent per month until it goes down by 75 percent.

Retiring employees can get no reduction in basic coverage for \$2.13 per \$1,000 per month, or a 50 percent reduction for 71 cents per \$1,000 per month. The additional premiums continue after age 65.

As an example, suppose Wanda's annual salary rate is \$63,320 (including locality pay) and she is planning to retire later this year. Her basic FEGLI coverage is worth \$66,000 and she pays a withholding of \$9.90 (66 x \$0.15) from her biweekly salary. Wanda plans to retire this year at age 60 and will continue her basic life insurance into retirement at a cost of \$21.45 a month from her retirement benefit. She has decided to choose the 75 percent reduction option so that her coverage will stay in effect until she is 65. Then it will be free, while beginning to reduce by 2 percent per month for approximately three years until 25 percent of the original coverage remains. Wanda will retain \$16,500 when the coverage is finished reducing.

### Optional

There are three additional optional types of coverage under FEGLI.

- **Option A** provides an additional \$10,000 of life insurance. It is free after age 65, if you're retired, and the coverage will reduce at the rate of 2 percent per month until reduced by 75 percent to a remaining value of \$2,500.
- **Option B** covers your life for one to five multiples of your annual basic pay (rounded up to the next \$1,000). The premiums for this coverage begin to significantly escalate between age 54 to 55 and every five years after. There may come a time when the premiums become more expensive than the value of the insurance.
- **Option C** covers the lives of your spouse and eligible children. You may elect up to five multiples of Option C with each multiple providing \$5,000 of insurance on your spouse and \$2,500 on each of your eligible dependent children.

Employees are required to choose either no reduction or full reduction for all Option B and Option C multiples at the time of retirement. Option B and Option C coverage is free after age 65 for retirees who elected full reduction for one or more multiples of coverage. Option B and Option C coverage begin reducing by 2 percent a month after age 65 (and retired) for 50 months until the coverage ends.

For eligible retirees who elected no reduction for Option B, coverage is not free for those 65 and older. These retirees must continue to pay premiums. Shortly before a retiree's 65th birthday, the Office of Personnel Management will send a reminder of these rules and will offer you a chance to change the selection made at the time of retirement. If you're already 65 or older at the time of retirement, the retirement system will give you the opportunity to change your selection as soon as the retirement processing is complete.

For more information, OPM offers a pamphlet on [life insurance for retiring employees](#), and has posted a [YouTube video](#) for employees about FEGLI. The agency also offers an online [FEGLI calculator](#) to help determine the value and premium of your current FEGLI coverage and the cost of continuing it into retirement.

Photo: Flickr user [Dafne Cholet](#)

**Correction:** Due to an editing error, the salary level listed for Wanda in the example above was incorrect in the original version of this story. The article has been updated with the correct figure.

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/05/other-open-season-year/128251/>