

What Is the FERS Supplement Worth?

By Tammy Flanagan

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One of the unique features of the Federal Employees Retirement System is the supplement it offers to younger retirees. About 40 percent of FERS retirees receive the supplement in addition to the FERS basic retirement benefit and income from the Thrift Savings Plan. It is designed to provide additional income to bridge the gap from the time they retire until they're old enough to qualify for Social Security.

The supplement is a temporary payment. It doesn't receive cost of living adjustments and is not paid after age 62. The supplement is treated as taxable income in the same manner as the FERS basic benefit and will be included on IRS form 1099-R along with other taxable FERS retirement income. The supplement is calculated by the Office of Personnel Management, rather than the Social Security Administration.

The FERS supplement does not directly affect your Social Security retirement benefit. But if you're receiving the supplement, it means that you retired earlier than age 62 and are no longer working and earning a substantial salary, so indirectly, your lifetime history of Social Security covered earnings will be smaller than reported on your Social Security estimate.

Employees are [eligible for the supplement](#) when they take non-disability retirement under FERS and are younger than 62 (but have reached their [minimum retirement age](#)) and have at least 30 years of service. Employees who are at least 60 years old and have at least 20 years of service also are entitled to the supplement.

Special groups such as law enforcement officers and firefighters are eligible to receive the supplement upon qualifying for retirement under special provisions, even if they are younger than the FERS minimum retirement age. In addition, employees who retire under a [voluntary early retirement](#) or [discontinued service retirement](#) are entitled to the FERS supplement when they reach their MRA.

The supplement is also subject to an earnings test. It can be reduced or eliminated if the retiree receives income from a salary, wage or self-employment following retirement under FERS. Special groups (such as law enforcement officers) are subject to the earnings test after reaching the MRA.

Estimating the Supplement

Assessing the value of the FERS supplement isn't as simple as it used to be. When FERS was created the highest grade in the General Schedule received a salary of \$72,500, and there was no locality pay. In those days, you could estimate the supplement at about \$25 per month for every year of FERS service. For example, if an employee were to work 30 years under FERS, the supplement would be worth about \$750 a month.

Today, the maximum federal salary rate is more than double what it was in 1987, and software programs have improved the process of estimating the payment. Most agencies use software from one of two vendors: [Government, Retirement & Benefits](#) or [Economic Systems](#). But the programs aren't generally available for individual employees to use. A human resources specialist must input the employee's information to provide an overall retirement estimate, including the FERS supplement. At many agencies, employees can't request an estimate until they are close to retirement. That leads them to seek other methods of estimating the value of the supplement.

Here's one do-it-yourself method to come up with a ballpark idea of how much the FERS supplement will be worth to you:

- Add up the number of years you will have as a civilian federal employee under FERS when you retire. (Don't include military service, even if you've paid a service credit deposit. It doesn't count in the supplement computation).
- Divide that number by 40. For example, if you will have 30 years of civilian service under FERS, divide 30/40 to get 0.75.
- Multiply the result by the estimate of your Social Security retirement benefit at age 62--your first eligibility age for Social Security retirement, not your full retirement age. You can get an [estimate of your Social Security retirement](#) by mail or by setting up a [My Social Security](#) account online.

Let's say that your age 62 Social Security benefit estimate is \$1,950 per month. If you have 30 years under FERS, then $0.75 \times \$1,950 = \$1,462$ a month. This would be a ballpark of the amount of your FERS supplement payable between your FERS retirement and age 62. When you turn 62, the supplement would end and it would be up to you to decide whether to apply for Social Security retirement or wait to receive a larger benefit. The amount of your actual Social Security retirement would depend on many factors, including the age at which you apply for Social Security, whether you continued to work and eligibility for spousal or widow's benefits.

The employee in the above example received a retirement estimate from her agency that calculated the FERS supplement at \$1,510 a month--pretty close to the rough estimate.

There's also a [free ballpark estimate program](#) developed by Robert Benson, who served 35 years in various federal agencies, as both a management analyst and IT specialist. I ran the FERS supplement estimate from the above example through this system and came out with an estimate of \$1,527 a month--very close to the agency estimate.

I recommend using the shortcut method or one of the software programs to get a ballpark idea of your FERS supplement. Just remember, you won't know the official number until OPM computes it at the time of your retirement.

Photo: [401\(k\)calculator.org](#), via Flickr

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/10/what-fers-supplement-worth/132167/>