

8 Myths About Federal Retirement

By Tammy Flanagan

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Sometimes it seems like I've made a career out of debunking urban legends about federal retirement benefits. Anyone who has worked in a federal personnel office has heard many claims that just simply aren't true, no matter how many people have passed the information around. Here are some of the common myths I've encountered recently.

Civil Service Retirement System

Myth: Members of Congress want to move the remaining employees covered under CSRS out of the system.

Truth: They don't have to. CSRS employees currently make up only 4 percent of the federal workforce. More than 70 percent of all new retirement claims are from people under the Federal Employees Retirement System.

Myth: CSRS retirees are not entitled to Social Security retirement benefits.

Truth: Anyone who earns 40 credits of coverage under Social Security is eligible for a Social Security retirement benefit at age 62 or later. Individuals who receive a pension from work not covered by Social Security (such as CSRS) may be affected by the [Windfall Elimination Provision](#), which will cause the benefit to be computed under a modified (read: lower) benefit formula. In addition, if you are eligible for spousal or widow's benefits under Social Security and you are receiving a pension from work not covered by Social Security (such as CSRS), your benefits may be affected (read: often eliminated) by the [Government Pension Offset](#).

FERS Basic Retirement Benefit

Myth: FERS employees must work until age 62 to be eligible to retire.

Truth: [FERS employees](#) can retire at almost the same age and with almost the same service requirements as [CSRS employees](#). The minimum retirement age for FERS is between 55 and 57, depending on your year of birth and length of federal service. The difference is that FERS employees get a portion of their retirement income from Social Security and the Thrift Savings Plan in addition to a basic government pension benefit. If you retire younger than age 62 on an unreduced, but immediate, FERS retirement, then the Social Security piece comes from the Office of Personnel Management in the form of a FERS annuity supplement. After age 62, retirees can choose to begin receiving Social Security retirement benefits immediately, or delay the receipt until as late as age 70. Withdrawals from the TSP can be delayed until later, but are subject to required minimum distribution rules around age 70 1/2.

Social Security

Myth: Social Security will run out of money in a few years.

Truth: According to the [2016 Social Security Trustees Report](#), under current projections, the annual cost of Social Security benefits expressed as a share of workers' taxable earnings will grow from 14.1 percent in 2015 to roughly 16.6 percent in 2038, and will then decline slightly before slowly increasing after 2050. Lawmakers have many policy options that would reduce or eliminate the long-term financing shortfalls in Social Security and Medicare. Over the program's 80-year history, it has collected roughly \$19.0 trillion and paid out \$16.1 trillion, leaving asset reserves of more than \$2.8 trillion at the end of 2015 in its two trust funds. It is likely that Social Security will be here in the future.

Federal Employees Health Benefits Program

Myth: Retirees have to pay the full share of the FEHBP insurance premium.

Truth: Employees who meet the [eligibility requirements](#) to continue their FEHBP coverage into retirement will pay only the employee share of the premiums. One thing that is different: retirees pay for their health insurance with after-tax dollars, where employees enjoy the benefit of not paying federal, state, Medicare and Social Security taxes on their premiums.

Myth: Your health insurance stops when you turn 65 and then Medicare coverage begins.

Truth: As long as you meet the [eligibility requirements](#) to continue your FEHBP coverage into retirement, you can keep coverage for the rest of your life. When you become eligible for Medicare at 65, you will need to determine if you need to add Part B of Medicare for an additional premium to get coverage for outpatient medical care.

Myth: You can cover your parents, former spouse, or significant other with a self plus one or self and family FEHBP enrollment.

Truth: According to OPM, family members eligible for self plus one or family coverage are your spouse (including a valid common law marriage) and children under age 26 (including legally adopted children, stepchildren, and recognized children born out of wedlock. Foster children are included if they live with you in a regular parent-child relationship. A child age 26 or over who is incapable of self-support because of a mental or physical disability that existed before age 26 is also an eligible family member.

Thrift Savings Plan

Myth: There is a deadline when you must withdraw a lump sum of all of your TSP money after you retire.

Truth: Once you separate from federal service, you determine when it is time to choose a [partial withdrawal or a full withdrawal](#) of your TSP investment. There are [required minimum distribution](#) payments after you are retired and over age 70½. You are never required to receive a lump sum of your entire TSP balance unless the balance is below \$200.

The list of myths could go on, but the moral of the story is that before acting on something that you hear during the carpool or in the lunchroom, it is a good idea to do your own research so you can make your retirement decisions based on facts rather than urban legends.

Photo: Flickr user [christopher brown](#)

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/10/8-myths-about-federal-retirement/132521/>