THE FEDERAL CIVIL SERVICE RETIREMENT SYSTEM

Prepared for Louisiana Cooperative Extension Service Employees

CONTENTS

NOTE: This booklet is a summary only and does not represent official, legal information.

SECTION I:

YOUR RETIREMENT SYSTEM

INTRODUCTION

Louisiana Cooperative Extension Service employees with federal appointments are members of the Civil Service Retirement System (CSRS). The CSRS is established under the Office of Personnel Management (OPM) and administered by CSREES for each state Extension Service organization. Each state Extension Service organization provides counseling to members of CSRS. The LCES accomplishes this through the AgCenter Human Resource Management Office. This booklet will provide you with information concerning your basic retirement benefits and options under CSRS. It covers types of retirements and annuities available, calculation of annuities, procedures for retiring, and other general information on your retirement system.

ELIGIBILITY REQUIREMENTS FOR RETIREMENT

Optional Retirement

An employee is ***eligible for optional retirement*** (immediate annuity) ***if employed for at least one year within the 2-year period immediately preceding*** the separation on which the annuity is based, ***and*** one of the following conditions is met.

- **Age 62 and 5 years of creditable civilian service, or**
- **Age 55 and 30 years of creditable service, including 5 years of civilian service, or**
- **Age 60 and 20 years of creditable service, including 5 years of civilian service**

Deferred Retirement

This option applies to an employee who separates from service for any reason or transfers to a position not covered by CSRS before meeting the immediate annuity requirements. Benefits commence at age 62 if:

1. The employee had been employed at least 1 year within the 2-year period immediately preceding the separation *and*

2. The employee had completed at least 5 years of civilian service and was not refunded deductions covering the last period of service.

Discontinued Service Retirement

An employee who is involuntarily separated from service is eligible for an immediate annuity if he/she has been employed under the retirement system for at least one year within the 2-year period immediately preceding the separation on which the annuity is based, *and* he/she meets either of the following minimum requirements.

1. Age 50 and completion of 20 years of creditable service, including 5 years of civilian service, *or*

2. Regardless of age, completion of 25 years of creditable service, including 5 years of civilian service

There are specific definitions for "involuntary separation" and the agency must provide appropriate certification.

CREDITABLE SERVICE

General Information

All Extension Service service while on federal appointment is creditable. However, periods of leave without pay in excess of 6 months in a calendar year are not creditable unless the employee was on leave without pay under worker's compensation.

Generally, all service as an employee in the executive, judicial and legislative branches of the federal government is creditable.

Regarding military service, in general, all periods of honorable active military service which occurred prior to 12/31/56 are automatically creditable. The method of crediting honorable active military service which occurred after 12/31/56 depends on the employee's employment date. If the employee was employed on or after 10/01/82, a deposit (payment of appropriate retirement deductions and interest) must be made in order for the service to be included in the computation of benefits. If the employee was employed before 10/01/82, then the service is automatically creditable if the employee will *not* be entitled to a social security benefit. If the employee *will* be entitled to a social security benefit, the service will automatically be included in that benefit. Therefore, in order for the service to *also* be creditable under CSRS, the employee must make the appropriate deposit for the service.

OPM maintains records on all prior employee service which is creditable. For current employees, this information is available in the AgCenter HRM Office.

Method of Crediting Service

Employees receive a day's credit for each day between the date of appointment and the date of separation (excluding periods of leave without pay in excess of 6 months in a calendar year unless the leave without pay was while the employee was receiving worker's compensation). Service is converted to years and months and any fraction of a month is dropped.

CREDIT FOR MILITARY SERVICE (Post-1956)

Military service performed *before January 1, 1957* is automatically included in the computation of your Federal Civil Service Retirement System (CSRS) benefit. Military service *on or after January 1, 1957* may or may not be included in the computation of your CSRS benefit, depending upon whether or not you will be eligible for Social Security benefits.

The following rules apply relative to credit for post-1956 military service:

1. If you were first employed under CSRS before October 1, 1982 and you **will not** be eligible for Social Security old-age benefits, all post-1956 military service is creditable towards your CSRS benefit without having to make a deposit to cover that period.

2. If you were first employed under CSRS before October 1, 1982 and you **will** be eligible for Social Security old-age benefits, your military service after December 31, 1956 cannot be used in computing your civil service annuity after age 62 unless a deposit is made for the military service. Individuals who have or expect to have enough quarters to qualify for Social Security old-age benefits have the option of either: (1) making the deposit and thereby avoiding a reduction in their annuity at age 62 or upon retirement, whichever is later, **or** (2) not making the deposit and accepting the reduction in their CSRS benefit at age 62 or upon retirement, whichever is later.

3. If you are not sure whether you are (or will be) eligible for a Social Security old-age benefit, contact the Social Security Administration for information.

4. If you were first employed under CSRS after September 30, 1982, no credit is allowed for post-1956 military service unless you make a deposit for the service.

5. The amount of the deposit is 7% of military basic pay.

6. If you are (or will be) eligible for a Social Security old-age benefit and you make the deposit, you will receive credit for the post-1956 military service for both CSRS and Social Security.

REMEMBER … If you were employed <u>before</u> October 1, 1982 <u>and</u> you <u>will not</u> be eligible for Social Security old-age benefits, there is no reason to make the deposit since you will receive credit under CSRS without the deposit.

REFUNDS

Regardless of length of service, an employee who is separated or transferred to a position not covered by CSRS, may receive a refund of lump-sum contributions only if:

- Separation from service is for at least 31 consecutive days *or* transfer to other position is for at least 31 consecutive days, *and*
- An application for refund is filed, *and*
- The employee is not reemployed in a position subject to CSRS at the time the application is filed, *and*
- The employee will not become eligible to receive an annuity within 31 days after filing the application.

Refunds filed after May 6, 1985 must include a notification form signed by the current spouse and/or any former spouse from whom he/she was divorced after May 5, 1985. This notification form is acknowledgment that the current/former spouse has been informed of the refund. Notification of the former spouse is not required if the marriage was less than 9 months in duration or if the employee had less than 18 months of service.

Payment of lump-sum will be subject to any court order taking effect after May 6, 1985 and which expressly relates to the lump-sum and where payment of the refund would end entitlement of a former spouse to survivor annuity.

DEPOSITS

Deposits apply to service for which retirement deductions were not made. A deposit for creditable service for which deductions were not made consists of making payment equivalent to retirement deductions on the service with appropriate interest.

If the service was performed prior to 10/01/82, it is creditable for computation of annuity benefits without making the deposit. However, there is a reduction in the annuity payable. The reduction is equal to 10% of the balance due and unpaid and this reduction is for the duration of the annuity. For example, if the amount of the deposit required is $2,000, the annuity will be reduced by 10% of this amount, for a reduction of $200 in the annual annuity.

For service performed after 10/01/82, the employee is required to make a deposit, with interest, before it can be used in the annuity computation. If the deposit is not made, service is creditable for eligibility only.

As mentioned earlier, the deposit consists of two components: *the retirement deduction on basic pay* and *interest*. The schedule for retirement deductions is as follows:

Period of Service	***Retirement Deduction***
08/01/20-06/30/26	2.5%
07/01/26-06/30/42	3.5%
07/01/42-06/30/48	5.0%
07/01/48-10/31/56	6.0%
11/01/56-12/31/69	6.5%
01/01/70-12/31/98	7.0%
01/01/99-12/31/99	7.25%
01/01/00-12/31/00	7.4%
01/01/01-Present	7.0%

Interest is computed from the midpoint of each period of service to the date of deposit or commencing date of annuity, whichever is earlier. The interest rate is currently determined on an annual basis by the Secretary of the Treasury.

Service performed by an employee in excess of the years and months required to provide the 80% maximum annuity (usually 41 years, 11 months) is called *EXCESS SERVICE*. Upon retirement, excess service retirement deductions (i.e., deductions withheld after the month in which the employee completed the required service for maximum annuity), plus 3 percent interest compounded annually to the date of retirement, are first applied by OPM toward any deposits or redeposits due. The balance, if any, is refunded after OPM finalizes the retirement case. At that time the retiree is advised by letter of the amount of additional annuity the excess deductions and interest would purchase. If the retiree returns the excess deductions and interest to OPM, the annuity is recomputed accordingly.

REDEPOSITS

A redeposit applies to a period of service for which a refund of deductions was received. If an employee has received a refund of deductions under CSRS (or any other system for retirement of federal government employees), the employee or his/her survivor may repay the refund and receive full credit for the period in question. This repayment is called a *redeposit*. The method of repayment and the penalty for not making the redeposit depends on the dates of the service, as outlined below.

Service Performed Before October 1, 1990 and for Which Redeposit Has Not Been Made

An employee with service performed before 10/01/90 for which a refund was received and for which a redeposit has not been made, will receive both eligibility and benefits computation credit for the service, provided that the beginning monthly rate of the annuity payable will be reduced by an amount equal to:

> **Redeposit owed (or unpaid balance of the redeposit owed)** *divided by* **the present value factor for the retiree's attained age (in full years) at the time of retirement.**
> ***The reduced monthly rate is rounded down to the next lower dollar amount.***

The employee has the option to forego the additional service and thereby avoid the reduction in monthly annuity. However, most employees find it is to their advantage to accept the additional service and reduction in annuity.

Service Performed After September 30, 1990

An employee with service performed after 09/30/90 for which a refund was received and for which a redeposit has not been made must make the redeposit before the service can be credited in benefits computation. If the employee fails to make the redeposit, the service is used only for eligibility purposes. The redeposit consists of the amount of the refund with appropriate interest.

Excess Service Deductions

Service performed by an employee in excess of the years and months required to provide the 80% maximum annuity (usually 41 years, 11 months) is called *EXCESS SERVICE*. Retirement deductions withheld on excess service (i.e,. withheld after the month in which the employee completed the required service for maximum annuity) are applied by OPM toward any redeposits due.

VOLUNTARY CONTRIBUTIONS

Eligibility

Voluntary contributions can be made to increase the retirement annuity or provide a savings fund. Voluntary contributions may be made by any employee provided that if the employee is eligible to make a deposit or redeposit, those amounts must be paid first. Note, however, that a person who at anytime received a refund of voluntary contributions can make no more voluntary contributions unless reemployed after a separation of 3 or more days.

Amount of Contributions

Employee may make voluntary contributions in amounts of $25.00 or multiples thereof, with a total not to exceed 10% of basic pay received since employment began. Interest is compounded annually and provided at a variable rate established by the Treasury Department each calendar year. *NOTE: Employees should compare voluntary contribution interest rates to other available investment opportunities.*

Additional Annuity

Each $100 in the employee's voluntary contribution account at time of retirement provides an additional yearly life annuity of $7.00 plus $.20 for each full year he or she is over age 55 at time of retirement.

Application to Excess Service

Excess Service occurs when an employee's service exceeds the maximum 80% benefit allowed (usually 41 years, 11 months). Retirement deductions then go into a voluntary contribution fund, provided that the employee must first pay any deposits or redeposits available. Excess service deductions are automatically refunded with interest with the first regular annuity payment. The retiree is advised by letter from OPM of the additional annuity allowed. If the retiree returns the deductions, the annuity is recomputed accordingly.

Refund of Voluntary Contributions With Interest

An employee may withdraw voluntary contributions with interest before separation from service or after separation but before receipt of any additional annuity purchased with the contributions.

CREDIT AND PAY FOR UNUSED LEAVE

Unused Sick Leave

Employees who retire receive payment for their unused sick leave balance not to exceed 200 hours. The method of payment is as follows:

Annual salary ÷ by 2080 = hourly rate

Hourly rate × times unused hours = final payment

Any balance of unpaid and unused sick leave (i.e., balances over 200 hours) are converted to service using the following formula:

8 hours = 1 day

260 days = 1 year

Unused sick leave service is added to regular creditable service and any final fraction of a month is dropped.

Unused sick leave may only be used for benefit computation purposes and may not be used to increase the high-3 average or to meet eligibility requirements.

Unused sick leave may increase an annuity beyond the normal 80% maximum.

Unused Annual Leave

An employee who retires, or separates, is paid for any unused balance of annual leave not to exceed 300 hours. The method of payment is as follows:

Annual salary ÷ by 2080 = hourly rate

Hourly rate × times unused hours = final payment

Unused and unpaid annual leave (i.e., balances in excess of 300 hours) cannot be converted to service credit towards computation of the federal retirement benefit.

NOTE: Unused, unpaid annual and sick leave hours can be converted into service credit for purposes of the Teachers' Retirement System's supplemental benefit.

TYPES OF ANNUITIES

Annuity With Survivor Benefit to Widow or Widower

This type of annuity is automatic for any married employee unless the employee requests otherwise in writing. This option provides an annuity at a reduced rate for the life of the retiree and a survivor annuity payable to the spouse to whom the employee was married at the time of death.

> ***The reduction in the employee's annuity is 2½% of any amount up to $3,600 specified as a base for the survivor benefit plus 10% of any amount over $3,600.***
>
> ***The survivor annuity is 55% of the retiree's annuity or whatever portion thereof is specified as a base for the benefit.***

Annuity Without Survivor Benefit

This option provides an annuity for the retiree only. No provision is made for survivor annuity. If the employee is married at the time of retirement, the spouse must consent to election of this annuity.

Insurable Interest Annuity

This option provides a survivor benefit to a named person having an insurable interest. Such a person is generally a close family member dependent in some way on the employee. An insurable interest annuity is available only to employees in good health at time of retirement. A medical exam is arranged and paid for by OPM. This annuity provides payments at a reduced rate for life of the retiree and, upon the retiree's death, an annuity payable to the person designated.

Reduction in the employee's annuity is applicable to the entire life of the annuity and the reduction amount depends on the difference in ages of the retiring employee and the person named. The survivor's annuity is 55% of the employee's reduced annuity.

The insurable interest option is also available to provide a survivor annuity to a spouse in cases where a former spouse was previously awarded the normal survivor annuity through court order.

ANNUITY OPTIONS AVAILABLE FOR RETIREE WITH FORMER SPOUSE

Former Spouse Benefit

When an employee divorced a former spouse after May 6, 1985, there may be in effect a court order providing for spousal survivor annuity. The requirement to provide this annuity will take precedence over providing a survivor annuity to a current spouse.

If the marriage to the former spouse was still in effect at the time of retirement, OPM will honor the court order only to the extent of the survivor election made at the time of retirement. For example, if the court order requires full survivor annuity and the retiree had elected no survivor annuity (with spouse consent) at the time of retirement, the court order will not be honored. If only a partial annuity was elected, the partial annuity is the maximum amount which will be paid, regardless of the court order.

Impact on Current Spouse, If Any

If there is a court order providing for spousal survivor annuity for a former spouse and there is also a current spouse at time of retirement, the current spouse can only receive:

1. The balance of the survivor annuity, if any, or

2. An insurable interest annuity, calculated by that method, if the retiree is in good health

An election must still be made for the current spouse in the event the former spouse loses entitlement. Any election of less than the full survivor amount will require spousal consent by the current spouse.

Loss of Entitlement by Former Spouse

A former spouse will lose entitlement to the survivor annuity if the former spouse marries before age 55 or dies.

ELECTION CHANGES AFTER RETIREMENT

Spouse Predeceases Retiree

If after electing a survivor benefit, the marriage terminates, the reduction in retirement annuity is eliminated.

Marriages Occuring After Retirement

If after electing a survivor benefit, the marriage terminates and the retiree remarries, a survivor annuity may be elected for the new spouse within 2 years after the marriage. The retiree's annuity is reduced by the same percentage reduction which was in effect at the time of retirement.

If a retiree was not married at time of retirement and later marries, a survivor benefit may be selected for the new spouse within 2 years.

An annuitant who makes election of survivor annuity for a current or former spouse whom he/she married after retirement is required to deposit in the CSRS fund the total amount by which the annuity would have been reduced if that election had been made at the time of retirement, plus 6% annual interest. However, the deposit is not required if the former spouse is awarded the annuity by court order or decree.

Insurable Interest Annuity Change for Current Spouse

An insurable interest benefit may be changed to a survivor benefit if marriage occurs after retirement or if a former spouse loses entitlement to the survivor benefit.

Special Requirements for Death Benefits to Spouse

In order to receive a survivor annuity, the marriage must have been in effect for at least 9 months. Exceptions are:

C If death of the retiree was accidental

C If there was a child born of that marriage

CALCULATION OF CSRS ANNUITIES

Calculating the High-3 Average

Note the following example.

Period	# Mos.		Monthly Rate	
07/01/97-06/30/98	12	x	2,900 =	34,800
07/01/98-03/31/99	9	x	3,100 =	27,900
04/01/99-06/30/99	3	x	3,250 =	9,750
07/01/99-03/31/00	9	x	3,400 =	30,600
04/01/00-06/30/00	3	x	4,000 =	12,000
TOTALS	36			115,050

$115,050 ÷ 3 = High 3 Year Avg $38,350

Calculating the Basic Retirement Annuity

High-3 Average	**x**	**1½%**	**x**	**5 years**	**= ____________**
High-3 Average	**x**	**1¾%**	**x**	**5 years**	**= ____________**
High-3 Average	**x**	**2%**	**x**	**Remaining Years**	**= ____________**
				TOTAL BASIC ANNUITY	**= ____________**

NOTE: Basic Annuity before adding sick leave credit cannot exceed 80% of the High-3 average.

<u>Computation of Annuity Amount Payable</u> - Reductions are made for:

(1) Being under age 55 at retirement (discontinued service retirements only)
(2) Failure to make redeposit (amount owed - age factor x 12 months)
(3) Failure to make deposit (subtract 10% of deposit due)
(4) Survivor Annuity Elected:

Deduct .025 of first $3600
Deduct .10 for any amount over $3600

Computation of Survivor Annuity

Amount Designated as Survivor Base x 55% = Survivor Annuity

TEACHERS' RETIREMENT SYSTEM SUPPLEMENTAL BENEFIT

Louisiana Cooperative Extension Service employees who retire from the CSRS are eligible for a supplemental benefit from the Teachers' Retirement System of Louisiana. The benefit is paid on a monthly basis. Exceptions are persons who are already retired from TRSL, or who are already members of TRSL, or who are members of the old LSU Nonfunded System.

The purpose of the Supplemental Benefit is to partially make up the difference between the benefit formulas used by the two systems. The following special provisions apply to the Supplemental Benefit.

1. The Supplemental Benefit does not begin until age 62, except that, in accordance with state legislation passed in 1999 (Act 115), effective August 15, 1999, members have the ***option*** to begin receiving an actuarially reduced benefit at any age between 55 and 62. The member receives a reduced benefit for life in order to begin receiving a benefit at an earlier age. Note that regardless of age, a member may not receive the Supplemental Benefit unless he/she is retired from the CSRS.

2. A second option made available by 1999 state legislation and effective beginning August 15, 1999, regards survivor's annuity. Members have the option to provide a survivor's annuity based on the Supplemental Benefit by taking an actuarially reduced benefit. Survivor's annuity options are described further below.

3. Whenever a CSRS retiree receives a CSRS cost of living adjustment, the Supplemental Benefit is reduced by the same percentage as the cost of living adjustment.

4. The Supplemental Benefit applies only to service with the Louisiana Cooperative Extension Service while under the CSRS.

Each month the Teachers' Retirement System sends the retiree a check for the Supplemental Benefit. The CSRS annuity is received in a separate check.

Survivor's Annuity Options

Survivor's annuity options for the Supplemental Benefit are the same as the options available for regular members of the Teachers' Retirement System of Louisiana, except that Option 1 is not available. These options allow a retiree to provide for a survivor upon his/her death by accepting a reduced benefit.

The options vary by the amount of the reduction to the retiree's benefit, the amount provided for the survivor, and whether the retiree's benefit can increase if the survivor predeceases him/her. The greater the benefit provided for the survivor, the greater the reduction in the retiree's benefit. Likewise, there is a greater reduction to the retiree's benefit when the retiree elects an option which allows for the benefit to increase if the survivor predeceases him/her.

OPTION 2
C provides a reduced monthly benefit to the retiree and C continues the ***same benefit to the beneficiary*** for life after the death of the retiree
OPTION 2A
C provides a reduced monthly benefit to the retiree and C continues the ***same benefit to the beneficiary*** for life after the death of the retiree; C if the beneficiary dies before the retiree, the reduced ***benefit reverts*** to an actuarially adjusted Regular Maximum
OPTION 3
C provides a reduced monthly benefit to the retiree which is ***greater than the Option 2 or 2A benefit;*** C after the death of the retiree, the ***beneficiary receives*** a benefit for life equal to ***one-half of the benefit amount the retiree was receiving***
OPTION 3A
C provides a reduced monthly benefit to the retiree which is ***greater than the Option 2 or 2A but less than the Option 3 benefit;*** C after the death of the retiree, the ***beneficiary receives*** a benefit for life equal to ***one-half the benefit amount the retiree was receiving;*** C if the beneficiary dies before the retiree, the retirement ***benefit reverts*** to an actuarially adjusted Regular Maximum
OPTION 4
C provides a reduced monthly benefit to the retiree which is determined by the cost of the ***amount designated for the retiree's beneficiary***; C amount designated for the beneficiary ***shall not exceed the Option 2*** benefit amount, but can be any lesser amount
OPTION 4A
C provides a reduced monthly benefit to the retiree which is determined by the cost of the ***amount designated for the retiree's beneficiary;*** C amount designated for the beneficiary ***shall not exceed the Option 2*** benefit amount, but can be any lesser amount; C if the beneficiary dies before the retiree, the reduced ***benefit reverts*** to an actuarially adjusted Regular Maximum.
OPTION 5
Provides a ***one-time, lump-sum payment*** of a total of 36 maximum monthly benefits, plus a reduced regular monthly benefit for life. Members may choose an Option 5 payment which is less than the maximum allowed.

The Supplemental Benefit Formula

The formula used to calculate the Supplemental Benefit is as follows.

High-3 Average x 1% x 5 years = ___________________

High-3 Average x 3/4% x 5 years = ___________________

High-3 Average x 1/2% x LCES Years Service in excess of 10 = ___________________

The total of these three amounts equals the maximum Supplemental Benefit. Note, however, that the total of the Supplemental Benefit and the CSRS annuity cannot exceed 100% of the retiree's high-3 average. If it does, the maximum Supplemental Benefit is reduced accordingly.

If the member elects to receive the benefit prior to age 62 or to provide a survivor's annuity, the actuarial reductions associated with those elections are applied to the Supplemental Benefit.

The following chart shows examples of ***approximate*** reductions in the retirees benefit using 1999 actuarial tables. These are ***estimates only*** and actuarial tables change periodically.

SCENARIO	**Reduction for EARLY RETIREMENT**		**Reduction for SURVIVOR BENEFIT***		
	% Reduc to Supp Ben	% Reduc to Total Ben	% Reduc to Supp Ben	% Reduction to Total Benefit	
				W/O CSRS Surv. Reduc.	With CSRS Surv. Reduc.
Retiree at Age 55, 30 years of service, Survivor 1 year younger	50%	12.5%	4.5%	.7%	7.8%
Same as above, but retire at Age 58	33.5%	8.2%	5.3%	1%	8%
Same as above, but retire at Age 60	18.5%	4.5%	6%	1.2%	8.1%
Same as above, but retire at Age 62	0	0	6.6%	1.6%	8.2%

***Reduction based on Option 3A Benefit**

COST OF LIVING ADJUSTMENTS

An important feature of the CSRS is its annual adjustment to annuities to reflect changes in cost of living. The cost of living increase for CSRS retirees and survivor annuities are effective each December, but delayed until April. The percentage increase of the adjustment is determined by the average CPI/W (Consumer Price Index for Urban Wage Earners and Clerical Workers) for the third quarter of each year over the third quarter average CPI/W index of the previous year.

Initial cost of living adjustments for newly-retired employees are pro-rated, depending on the month in which their retirement annuity began. For example, an employee retiring during the first three days of December would get the full COLA that becomes effective the following December. An employee retiring in January will receive 11/12 of the COLA for the following year.

COLAS over the last 20 years have averaged slightly over 4%, though they have ranged from 0% to 8.7%.

LCES personnel should remember that whenever they receive a COLA on their CSRS annuity, their Teachers' Retirement System Supplemental Benefit will decrease by the same percentage.

THRIFT SAVINGS PLAN

C The Thrift Savings Plan (TSP) is a retirement savings and investment plan for federal employees. It was established by Congress to provide federal employees with the same savings and tax benefits that many private corporations offer their employees.

C TSP benefits are separate and distinct from annuities of the U.S. Civil Service Retirement System.

C Employees may contribute up to 6% of salary per pay period for 2001, 7% for 2002, 8% for 2003, 9% for 2004 and 10% for 2005. Beginning January 1, 2006, employees will be able to contribute any amount up to the IRS annual election deferral limits.

C Contributions are tax deferred.

C Provides for investments in the G-Fund (Government Securities Investment Fund), F-Fund (Fixed Income Index Investment Fund), C-Fund (Common Stock Index Investment Fund), S-Fund (Small Capitalization Stock Index Investment Fund), and I-Fund (International Stock Index Investment Fund).

C "Open Seasons" are conducted every six months to allow employees to: a) join, b) change amount of contributions, or c) change allocation of funds.

C Participants are always vested in their own contributions and the earnings on their contributions.

C On-line services are provided using the ThriftLine (504/255-8777). The ThriftLine is an interactive voice response system for TSP which is available 24 hours a day, 7 days a week from a touch-tone telephone. The ThriftLine offers monthly rates of return, monthly account balances, and the status of loan requests or withdrawal requests. The ThriftLine can also be used to make, change or cancel an interfund transfer.

C Rates of return and other information are also provided on the TSP Web Site (www.tsp.gov).

C Employees may borrow from their TSP account for: a) purchase of a primary residence, or b) general purpose loans with the following restrictions:

- **Minimum amount of loan is $1,000**
- **Amount is limited to the equivalent of the employee's contributions in TSP**
- **Residential loans require documentation**
- **Repayment must be made through payroll deduction**
- **Can be paid in full at any time without penalty**

C Several options are provided for withdrawal: a) transfer funds to an IRA, b) have the TSP purchase a life annuity, c) receive a single lump sum payment (20% withheld fro taxes), or d) receive a series of equal payments (20% withheld if payments are made over a period of less than 10 years).

PROCEDURES FOR RETIRING

Advance Notice of Retirement

LSU System regulations recommend that retirement actions be initiated at least 60 days prior to the effective date. This is beneficial in terms of processing all related materials. More importantly, it provides the organization with sufficient notice to make arrangement for replacement of the employee or to otherwise arrange for accomplishment of the duties of the position. It is recognized, however, that it sometimes is not possible to provide a full 60 days notice. The AgCenter Human Resource Management Office suggests that retirement requests be submitted 30-60 days prior to the effective date whenever possible. Shorter timeframes will be honored when necessary.

Effective Date of Retirement

Retirement can be made effective on any day of the month. However, in order to receive *immediate* retirement benefits, an employee can only retire on the 1st, 2nd, or 3rd (close of business) of the month. The retirement annuity for an employee who retirees after the third of the month does not begin until the 1st of the following month.

Required Application Forms

When the AgCenter HRM Office is notified of an employee's desire to retire (either directly or by copy of a letter to LCES Administrators), a retirement packet will be prepared and forwarded to the employee. Most employees will want to make an appointment to see the AgCenter retirement specialist to complete their forms, though this is not required. There are several forms which must be completed. They include the actual Application for Immediate Retirement form along with supporting documents such as the spousal agreement to survivor annuity election, Teachers' Retirement System Supplemental Benefit application form, etc. The document which the employee will spend the most time completing is the Application for Immediate Retirement.

Retirees should note that under CSRS, their survivor annuity election **must** be made before their application can be forwarded to OPM. For the TRSL Supplement, the retiree will make an option election **after** the application is submitted. When all required documents are received by TRSL, the retiree will be sent the *Affidavit of Plan Election* listing the benefit amounts of each option. This affidavit must be returned to TRSL within fifteen days.

Annuity Cycles

CSRS annuity checks are mailed monthly to the retiree from OPM and cover the preceding month. For instance, the check mailed on the 1st of January is payment for December. In contrast, Teachers' Retirement System Supplemental Benefit checks are mailed monthly by TRSL to the retiree, but they cover the month in which they are mailed. That is, the TRSL check mailed on the 1st of January is payment for January.

Timeframe for Receipt of Annuity and Other Payments

After the effective date of retirement, a CSRS retiree is first put in *special pay status*. This means the retiree will receive 85-90% of the estimated annuity (after appropriate reductions for survivor's annuities elected, redeposits, etc.). A retiree can expect to receive the first CSRS annuity check within 30 days of retirement. When OPM completes its review of the retirement material, the employee's case will be finalized and the employee will be taken out of special pay status. The employee will then receive a check for any balance due and future annuity checks will reflect the finalized amount. The process of finalizing the retirement and associated annuity takes approximately 2-3 months.

Retirees can expect to receive their first TRSL Supplemental Benefit check within 2-3 months following the effective date of retirement. The first check will include the retroactive benefits due.

Sick and Annual Leave Payments

As noted in an earlier section, retirees receive payment for their unused sick and annual leave, not to exceed 200 hours of sick leave and 300 hours of annual leave. Employees have the option to be paid their leave in one lump sum or in two separate payments. However, unless this preference is specified to the AgCenter HRM Office, one payment will be issued within 30 days of the effective date of retirement. Employees do have the option to defer taxes by setting up the payment as a 403b or 457 Plan deduction.

DEATH BENEFITS

Types of Death Benefits

There are two kinds of death benefits: (1) *survivor annuity* payable to the spouse and/or former spouse and dependent children and (2) *lump-sum benefit* payable upon death of an employee if there is no spouse, former spouse or dependent child entitled to survivor annuity, or if the rights of all persons entitled to a survivor annuity have terminated.

Eligibility Requirements for Survivor's Annuity

The *employee* must have had at least 18 months civilian service and must have died while employed in a position subject to the retirement system.

The *spouse* must have been married at least 9 months preceding the employee's death (if married more than once, all periods will count), except in case of accidental death, or be the parent of a child born of that marriage or a previous marriage to the same spouse.

A *former spouse* must have been married at least 9 months and must have been awarded survivor annuity by court order or decree which takes effect after May 6, 1985. The amount received is the amount awarded by the court.

Dependent children, including legally adopted dependents, must be:

1. Under age 18 and unmarried, or
2. Unmarried and incapable of self support, regardless of age, by reason of mental or physical disability which was incurred before age 18.
3. A dependent stepchild or acknowledged illegitimate child if he/she meets normal criteria above and lived with the employee in a regular parent-child relationship.
4. A student age 18 to 22, unmarried and regularly pursuing a full-time course of study.

Refer to supplemental material for duration and amount of annuity.

Lump-Sum Benefits

Lump-sum benefits are a one-time payment of retirement contributions remaining to the employee's credit and are payable immediately upon death if (1) the employee has less than 18 months creditable civilian service *and* (2) the employee leaves no survivors entitled to survivor annuity.

Lump-sum benefits are also payable if survivor's annuities terminate before the lump-sum credit has been paid out. A lump-sum benefit cannot be awarded to a former spouse if there is a valid Designation of Beneficiary.

Another type of lump sum benefit is the deceased retiree's accrued annuity. This includes uncashed checks received before death and the annuity accrued during the month of death. Payment is made to the named beneficiary even when a survivor benefit is payable.

SECTION II:
INSURANCE BENEFITS AFTER RETIREMENT

GROUP BENEFITS AND HMO MEDICAL AND LIFE COVERAGE

What happens to your medical and life insurance when you retire?

Premiums

Premiums for medical and life insurance will be withheld from the supplemental benefit paid by TRSL. If a retiree elects to defer the TRSL benefit, LSU will bill the retiree on a quarterly basis. Upon retirement, the state will continue to pay their normal share of medical and life insurance premiums. Note: Employees who enrolled in the state health plan (this includes PPO, EPO or an HMO) after November 14, 2001 will be subject to a vesting schedule of the state subsidy, upon retirement, which correlates to the number of years in which the employee had participated in the health plan prior to retirement. If participation was 10 years or fewer, the state subsidy will be 19%; more than 10 years but fewer than 15 years, 38%; more than 15 years but fewer than 20, 56%; 20 years or more, 75%.

Impact of Medicare on Medical Coverage

The medical premium will decrease once the retiree goes under medicare and chooses both parts A and B. Medicare, if covered, will be the primary insurance upon retirement. Group Benefits/HMO will be secondary. (This means that Medicare will pay eligible expenses first and Group Benefits/HMO will pick up eligible expenses where Medicare stopped).

Changing Health Plans or Dropping Coverage

Change from HMOs to Group Benefits and vice versa can only be made during the open enrollment period. Currently, those who do change from one plan to another do not have pre-existing condition restrictions on their coverage unless the retiree joined the plan prior to retirement and had not finished serving the pre-existing condition clause to which they were subjected. (An employee who joins the plan following thirty days of the first eligible date is subject to the pre-existing condition clause. The pre-existing condition clause states that anything the member was treated for or consulted a doctor for during the six months prior to the effective date of coverage will not be covered for one year.) As with other areas, open enrollment procedures and regulations are subject to change.

If a retiree chooses to completely drop medical coverage, he/she will not be allowed to reinstate coverage at a later date, with the exception of retirees who drop coverage to join an HMO-65 plan. In order to be eligible to return to Group Benefits, retirees who join an HMO-65 plan may do so only if they were continuously covered by the HMO-65 plan from the time they dropped their Group Benefits coverage. He/she may reenroll in the Group Benefits Program during the annual enrollment period for coverage effective the next plan year or in November for a January 1 effective date.

Retirees who were not covered by Group Benefits when enrolling in the HMO-65 plan are not eligible to re-enroll in Group Benefits.

Surviving Spouse Coverage

Upon the death of the retiree, what happens to the surviving spouse's medical coverage? A surviving spouse may keep medical coverage and the state will continue to pay the normal share of the premium cost if not eligible for another group health plan. The surviving spouse must immediately notify the program that they want to continue their medical coverage by completing a Group Benefits change document. Coverage will continue until: failure to pay premium or death of surviving spouse. Eligibility for continued coverage ceases if a member becomes eligible for coverage under another group plan, with the exception of medicare.

Group Benefits Life Insurance

Retirees may continue their own and their dependent's life insurance after retirement. There is a graded reduction schedule according to age, but details vary according to the employee's level of coverage. Additional information may be obtained by contacting the AgCenter Human Resource Management Office.

OTHER SUPPLEMENTAL INSURANCES AND RELATED

Group Accident Coverage

Benefits from this insurance continue but with the following graded reduction in the principal sum that is paid:

age 69 or younger	100%
age 70 - 74	82.5%
age 75 - 79	57.5%
age 80 - 84	37.5%
age 85 and older	20.0%

Dependents follow the same graded reduction of their benefits according to the employee/retiree's age (i.e., when employee/retiree reaches age 70, the dependent's principal sum is also reduced according to the schedule above). The premium remains the same. Surviving dependents can convert this policy to an individual policy by completing forms within thirty days of ineligibility date; however, premium and benefit amount are subject to change. To file a claim, contact the AgCenter Human Resource Management Office.

LSU will bill you for this coverage unless you are receiving a TRSL supplemental benefit check, in which case the deduction will be set up to come out of the supplemental check.

SunLife of Canada Disability Income Plan

This coverage cancels on the effective date of retirement.

Extension Benevolent Life Insurance

Prior to retirement, the Extension Benevolent Life Insurance program carries two amounts: (1) $5000 is the amount of coverage until age 65; (2) if still employed at age 65, the coverage amount reduces to $4000. Upon retirement, the coverage amount reduces for the last time to $3000. For information regarding the process or filing a death claim, contact the AgCenter Human Resource Management Office.

Other Optional Insurances

In order to determine whether coverage may be continued and to arrange for future billing, the retiree should contact the HRM office. Deductions for optional insurances do not come out of federal retirement checks, except as noted above. The *carrier* bills the employee.

Tax Saver Flexible Spending Accounts

Upon retirement from the LSU System, the employee's contributions and benefits will end effective with the date of retirement. However, any money remaining in a flexible spending account can still be used for expenses incurred prior to the date of retirement. The employee may continue to submit claims for up to six months after the date of retirement.

SECTION III:

WEBSITE LINKS

WEBSITE LINKS

IRS Publication 721(Tax Guide to U.S. Civil Service Retirement Benefits) - http://ftp.fedworld.gov/pub/irs-pdf/p721.pdf

Social Security - Windfall Elimination Provision - www.ssa.gov/pubs/10045.html

Social Security - Government Pension Offset - www.ssa.gov/pubs/10007.html

Thrift Savings Plan - www.tsp.gov

Fact Sheet - Using the ThriftLine/TSP Web Site) - http://www.tsp.gov/forms/oc98-10.pdf