

## FSPS Annuity Supplement

The Foreign Service Pension System (FSPS) annuity supplement can be confusing. It is a benefit payable to certain retirees who *retire before age 62, are in the “new” FSPS retirement system, and are entitled to an immediate annuity*. The purpose of the supplement is to provide a level of income before age 62 similar to that an annuitant would receive at age 62 as part of Social Security benefits. The annuity supplement is payable from the date of retirement until the month prior to the month in which the annuitant reaches age 62. It is calculated as if the annuitant is 62 and fully eligible to receive SSA benefits on the day of actual retirement. It is subject to an annual earnings test similar to the one applied to Social Security benefits.

An employee with at least one year of FSPS service and who retires voluntarily or involuntarily with entitlement is eligible to an immediate annuity. Employees who retire at their Minimum Retirement Age (MRA) with at least ten years of service or employees who retire on disability or deferred retirement are not eligible for the annuity supplemental.

To calculate a retiree’s annuity, the department estimates what his/her full Social Security benefits would be. Then, it calculates the amount of service under the FSPS and reduces the estimated full Social Security benefits accordingly. For example, if an estimated Social Security benefit at age 62 is \$20,000 and the number of years under the FSPS is 20 years, the formula would be \$20,000 divided by 40 times 20, or \$10,000.

The FSPS annuity supplement is subject to an earnings test that begins *after* a retiree reaches the Minimum Retirement Age (see the chart below). The earnings test is similar to the one applied to Social Security benefits and uses the same annual exempt amount, as required by law in 5 U.S.C. Section 8421a. The exemption amount for 2015 is \$15,720 of earned income. Your annuity supplement will be reduced \$1.00 for every \$2.00 by which your calendar year earnings exceed the exemption amount. The reduction, termination or reinstatement of benefits will become effective January 1st of the year following the year of income reported

<b><i>If you were born...</i></b>	<b><i>Your MRA is...</i></b>
Before 1948	55 years
1948	55 years and 2 months
1949	55 years and 4 months
1950	55 years and 6 months
1951	55 years and 8 months
1952	55 years and 10 months
1953-1964	56 years
1965	56 years and 2 months
1966	56 years and 4 months
1967	56 years and 6 months
1968	56 years and 8 months
1969	56 years and 10 months
1970 or later	57 years

At the end of each calendar year, the department asks FSPS annuitants who have reached their Minimum Retirement Age (MRA) to submit a **FSPS Annuity Supplement Report (DS-5026)**.

In order to show continuing eligibility for the annuity supplement, annuitants declare their earned income for that year. The department then determines whether the annuity supplement should be reduced or terminated. To assure non-interrupted annuity supplement payments, *it is important that the DS-5026 be submitted promptly in January.* The department attempts to assure that no overpayment is included in the February annuity payment. However, if an annuitant receives excess funds before a reduction or termination goes into effect the following year, the department will ask for repayment of this overpayment.

<b>How to Determine Which Income to Report</b>	
<p><b><i>Include as earnings:</i></b></p> <ul style="list-style-type: none"> <li>• All wages from employment covered by Social Security.</li> <li>• Net Income from self-employment.</li> <li>• All cash pay for agricultural work, domestic work in a private home, service not in the course of your employer's trade or business.</li> <li>• All pay, cash or non-cash, for work as a home worker for a non-profit organization, no matter the amount.</li> <li>• All pay for work not covered by Social Security, if the work is done in the United States, including pay for:               <ul style="list-style-type: none"> <li>○ Family employment</li> <li>○ Work as a student, student nurse, intern, newspaper and magazine vendor,</li> <li>○ Work for States or foreign governments or instrumentalities, and</li> <li>○ Work covered by the Railroad Retirement Act.</li> </ul> </li> </ul> <p>Regardless of what income is called, if it is actually wages for services you performed or net earnings from self-employment you secured, it must be included in applying the earnings test.</p>	<p><b><i>Do not include as earnings:</i></b></p> <ul style="list-style-type: none"> <li>• Pensions or annuities paid as retirement income, including your FSPS benefit or any benefits received as a survivor.</li> <li>• Salary earned before retirement and/or lump-sum payment for annual leave upon retirement. This includes any separation incentives.</li> <li>• Distributions from your Thrift Savings Plan or Individual Retirement Accounts.</li> <li>• Unemployment compensation.</li> <li>• Gifts, insurance proceeds, inheritances, scholarships, alimony, capital gains, net business losses, prize winnings.</li> <li>• Payments-in-kind for domestic service in the employer's private home, for agricultural labor, for work not in the course of the employer's trade or business, or the value of meals and lodging.</li> <li>• Rentals from real estate that cannot be counted in earnings from self-employment because, for instance, you were not a real estate dealer.</li> <li>• Interest and dividends not resulting from trade or business.</li> <li>• Pay for military training or for jury duty.</li> <li>• Payments by an employer which are reimbursement specifically for your travel expenses and which are so identified by the employer at the time of payment and/or reimbursement or allowance for moving expenses, if they are not counted as wages for Social Security purposes.</li> </ul>