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March-April 2014

Volume 28. Number 2

Retirement Planning — "I Wish I Had Known Earlier"

"I wish I had known about this earlier." That's what Foreign Service and Civil Service employees had been saying for years after completing the Retirement Planning Seminar (RV 101) at the Foreign Service Institute's Career Transition Center. RV 101 has been offered since the 1980s to employees within 10 years of retirement eligibility.

The four-day course covers the whole range of retirement issues: the psychology of transition, job search, health and fitness, Medicare, FEHB, long-term care insurance, financial planning, Social Security, Thrift Savings Plans, annuities and benefits, estate planning and more. Participants rave about the value of the training but often express regret at not having received the information much earlier in their careers.

In response to that message, the Transition Center introduced the Mid-Career Retirement Planning Seminar (RV 105) in 2008. Intended for newer employees, not just those within 10 years of retirement eligibility, the two-day seminar focuses on topics where decisions made earlier in one's career can be most critical to a secure retirement. Topics include financial management, annuities and benefits, Thrift Savings Plan, estate planning and long-term care.

While incoming Foreign Service employee orientation training includes mention of financial and retirement planning, most would agree that their first weeks in Foreign Service training were a blur. In his April column in The Foreign Service Journal, Retiree VP Larry Cohen emphasizes the point. "New employees looking ahead at a long career may neither fully appreciate nor adequately absorb the lessons being taught," he writes. "Frankly, these sessions are among the most important... Every Foreign Service employee, especially those approaching retirement, should take advantage of these courses. For those with plenty of years before retirement-no excuses. Remember, whereas most FSI training may be appropriate for that onward

assignment or obtaining new technical skills, this training is for the rest of your life." He adds that many, perhaps most, Foreign Service employees will have more years in retirement than working in the Foreign Service. The importance of starting retirement planning early cannot be stressed too much.

The original four-day Retirement Planning Seminar (RV 101) is offered six times a year. Usually, approximately 250 enroll in each seminar. Summer sessions average more than 300. Since the two-day Mid-Career Retirement Planning Seminar's 2008 introduction, participation in RV 105 has grown from 27 to an average of more than 150 for each of the four sessions offered annually.

How do enrollees rate the two-day seminar? AFSA interviewed two officers—AFSA State Vice President Matthew Asada, with 11 years of service, and Daria Darnell, with 19 years—who took the most recent RV 105, offered in January. Both found RV 105 extremely valuable and took explicit actions as a result of the seminar. Specifically, they found the sessions on financial planning, Thrift Savings Plan, and annuity and benefits most useful and relevant for early planning.

Did You Know?

During initial orientation training, new employees are presented with the fundamental structure of the Foreign Service Pension System (FSPS). In retirement, they are told financial security is derived from a combination of one's Foreign Service Annuity, Social Security and Thrift Savings Plan. To get the full 5 percent agency match, employees should contribute a minimum of 5 percent of their income to TSP. Otherwise, one is leaving money on the table. Asada and Darnell had both gone well beyond that level. Both had decided early on to "max out" their TSP contributions (annual limit is \$17,500). But there was much more they hadn't known.

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Asada was reminded that if one chooses to "max out" TSP contributions, stipulating pay period deductions in dollar terms rather than as a percentage of salary may be a wise course of action. Otherwise, any salary increases over the year could result in reaching one's annual contribution limit before end-of-year pay periods and thus risk losing the 5 percent agency match for those pay periods.

After RV 105, Asada committed to an annual review and rebalance of his TSP fund allocations to keep them in line with his original strategic investing goals. The new Roth TSP option, funded by after-tax contributions but enjoying tax free status when withdrawn, intrigued both Asada and Darnell. Asada opened up a Roth TSP and designated all of his TSP contributions as such. (*Editor's Note: Especially for newer, younger employees, the Roth TSP may be the wiser investment. Unlike Roth IRAs, Roth TSPs have no income limitations.*)

Darnell appreciated learning about the range of TSP options on retirement. Such options include lump sum withdrawal, transfer of funds to an IRA, keeping funds in the TSP to benefit from TSP's low management fees and purchase of a lifetime annuity. As a result of RV 105, Darnell committed to specific action on estate planning and long-term care insurance. The seminar impressed upon her the need to review beneficiaries periodically and revise them to reflect life changes. Although she already held a long-term care policy. Darnell appreciated learning about different potential longterm care needs-whether for short-term in-home assistance or long-term Alzheimer's care. As a result, she changed the number of years of coverage in her own LTC policy.

Potentially eligible for the four-day seminar, Darnell found the two-day seminar fit her schedule and gave her exactly the topics she needed. She particularly appreciated the many useful financial checklists, describing RV 105 as a very timely "financial check-up." She wishes she'd had the training even earlier, especially to learn about the Roth TSP/IRA. Asada agreed, and recommended that such financial training be provided at the end of one's first year, first assignment or upon tenure. It is not enough just to provide the information, he notes. Discussion of pros and cons, possible in such a seminar environment, is what's needed to inspire action.

FSI Career Transition Center Director Catherine McCormick notes that surveys of RV 105 consistently confirm high satisfaction. Attendees frequently assert, "it is the best course I have taken at FSI," "my expectations were met, and exceeded," "I *highly* recommend this course to anyone with 5-15 years of Federal Service."

RV 105 will be offered three more times in 2014: May 7-8, June 10-11 and November 12-13. To register for RV 105 or learn more about retirement planning, visit the FSI Transition Center at: www.state.gov/m/fsi/tc/c6958.htm or contact Tyler Glotfelty, Training Technician at (703) 302-7407 glotfeltytc@state.gov or FSICTC@state.gov. Director McCormick welcomes spouses/partners of employees to join on a space-available basis: "We always try to make sure there is space for spouses/partners because it is so valuable to the two people in the family to hear the material covered in the program." For agencies other than State, the HR departments must agree to pay the tuition for spouses/partners.

A related workshop strongly recommended by Matthew Asada is MQ 852: "Personal Finances and Investments in the Foreign Service." It can be found on the above transition center website by clicking on "Foreign Service Life Skills Training," and then on "Financial & Legal Matters." MQ 852 is offered in the evenings and is open to family members, as well. Remember, the quality of your retirement could well depend on how early you start serious planning for it. Don't delay.

Foreign Affairs Day 2014

Foreign Affairs Day will be held this year on Friday, May 2. Invitations will be mailed out in March. In recent years, the luncheon in the Benjamin Franklin Room has been very popular and has sold out extremely quickly.

If you wish to reserve seats (two seats maximum), please mail in your RSVP and lunch payment check as soon as you receive your invitation. Luncheon seats are reserved on a first-come, first-served basis upon receipt of payment.

Please e-mail any questions you may have to foreignaffairsday@state.gov.

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Book Review & Signing—April 9th, 2-4p.m. How to Retire Happy by Five Star Resident Stan Hinden, former Washington Post syndicated columnist RSVP (301) 915-9217

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AFSA Advocacy Day on the Hill

AFSA's intrepid Governing Board and staff participated in their first advocacy day in several years on Capitol Hill on February 26. AFSA representatives had very productive meetings in the offices of 17 members of the House and Senate who have oversight over foreign affairs, appropriations and/or government oversight.

Building on the success of our November congressional networking reception, we centered our efforts on key offices that can be instrumental in helping us move our agenda forward in areas like career development and professional capacity, overseas security and overseas comparability pay.

AFSA representatives took full advantage of the opportunity to strengthen some of our existing relationships while building new ones. Most important, congressional staff members were able to hear firsthand from Foreign Service employees about the challenges our profession faces, as well as the extraordinary contributions of our Foreign Service members to American diplomacy, national security and job creation.



In the future we hope to open this event to all of our members.

Overall, AFSA has met face to face with representatives of over 100 offices in the past 12 months as part of our commitment to be the voice of the Foreign Service.

Retirement Ceremony

AFSA recently attended the annual Retirement Ceremony in the Dean Acheson Auditorium at the Department of State.

Over 200 Foreign Service and Civil Service honorees participated in the ceremony, which included remarks from Secretary of State John Kerry and an opportunity for retirees to shake the Secretary's hand and take a photo with him.



Sec. Kerry gave thoughtful remarks highlighting some of the most impressive of the individual accomplishments among the group of retirees.

He thanked the group for all that they have contributed to America's security and to the success of America's foreign policy.

Sec. Kerry spoke about the retirement of his Foreign Service father, who had cautioned him not to see the world in black and white, to see the world through the eyes of the people you meet.

He asked all of the retirees to continue to contribute to America's foreign policy, and offer their wisdom and knowledge as much as possible. He would like all recent retirees to consider working as WAEs (While Actually Employed).

Kerry ended his remarks with a quote from Louis Armstrong: "Musicians don't retire; they stop when there is no more music in them." It was a fitting quote to mark the occasion.

Cost of Living Adjustment (COLA)

In 2014 the cost-of-living adjustment for federal annuities and Social Security beneficiaries was 1.5 percent.

The purpose of the COLA is to ensure that the purchasing power of Social Security and federal annuity benefits is not eroded by inflation. It is based on the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was determined to the third quarter of the current year. If there is no increase, there can be no COLA.

Here is how the current COLA was determined. The last year in which a COLA became effective was 2012. Therefore the law requires the Social Security Administration to use the average CPI-W for the third quarter of 2012 as the base from which to measure the increase (if any) in the average CPI-W. The base average is 226.936, as shown in the table below.

Also shown in the table, the average CPI-W for the third quarter of 2013 is 230.327. Because this average exceeds 226.936 by 1.5 percent, the COLA effective for December 2013 is 1.5 percent. The COLA calculation, with the result rounded to the nearest one-tenth of one percent, is:

 $(230.327 - 226.936) / 226.936 \times 100 = 1.5 percent.$

	CPI-W for—	
	2012	2013
July	225.568	230.084
August	227.056	230.359
September	228.184	230.537
Third quarter total	680.808	690.980
Average (rounded to the nearest 0.001)	226.936	230.327

Courtesy of SSA.gov

The CPI-W is determined by the Department of Labor's Bureau of Labor Statistics. By law, it is the official measure used by the Social Security Administration to calculate COLAs. Congress enacted the COLA provision as part of the 1972 Social Security Amendments, and automatic annual COLAs began in 1975. Before that, benefits were increased only when Congress enacted special legislation.

In recent years there have been discussions about changing the formula used to determine the COLA from the CPI-W to the Chained-CPI. President Obama had previously included this proposal in his budget, but in his most recent budget request decided to eliminate it.

While that is a victory for opponents of the Chained-CPI, the fact remains that there are members of Congress who still strongly support the move to Chained-CPI, and it will remain on the negotiating table as a potential offset for fiscal negotiations and other congressional priorities.

Simply put, a switch to the Chained-CPI is a reduction in benefits. At first that reduction is only a modest amount, but over time it will compound to a loss of thousands of dollars a year. While savings will continue to decrease and health care cost will continue to rise, this loss will be felt acutely by seniors who rely on Social Security and their annuity.

As it stands, the current formula, CPI-W, does not accurately reflect the costs most seniors face, especially the portion of their budget that goes towards health care, which continues to rise faster than general inflation. A move to the Chained-CPI will only make this situation worse. If the true motivation for a change in the COLA calculation is to reflect the cost of living more accurately, and not simply to reduce the nation's debt by cutting earned benefits, there are other options that provide more equitable alternatives.

Any proposed change to the formula used to calculate the cost-of-living adjustment needs to be considered and deliberated so that COLAs continue to accurately reflect seniors' spending power without harming the retirement security of low and middle-class Americans.

AFSA will continue to monitor this legislative issue and provide updates. Stay tuned.



A new service for AFSA members. To sign up, send a request to mediadigest@afsa.org.

From the Retirement Accounts Division: Annuitant Express

Even after separating from service, federal employees can use Employee Express at www.employeeexpress.gov to view or update numerous aspects of their payroll and personnel information. Access to the website remains active for 18 months after separation, as long as users log in every 90 days to remain active.

Foreign Service annuitants may continue to utilize the same website, which then becomes their Annuitant Express. There they can initiate various changes to their annuity taxes, modify financial allotments, and modify direct deposit information, such as account and routing numbers.

In addition, annuitants can use the website to view and print monthly annuity statements and annual Form 1099R.

After Foreign Service members retire, the Office of Personnel Management mails them a personal identification number (PIN) to access Annuitant Express.

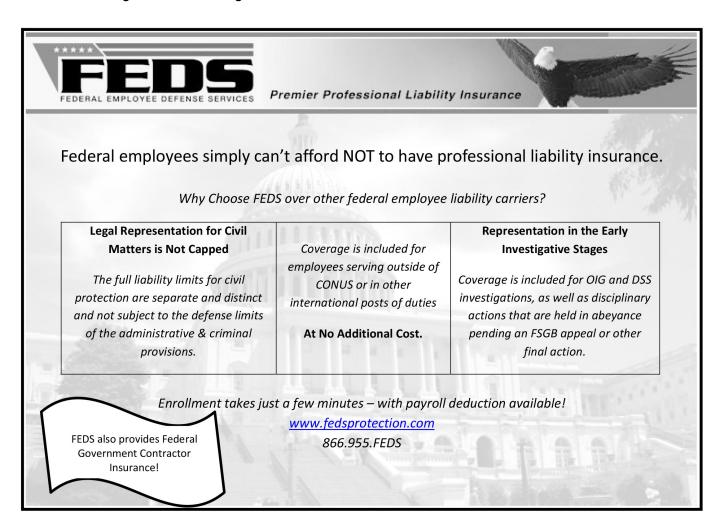
Annuitants needing assistance using Annuitant

Express should contact the Employee Express Help Desk at 1(888) 353-9450.

Civil Service annuitants can access Retirement Services Online on the OPM website at www.opm.gov to update their retirement information. Options include changing their mailing address, changing federal or state income tax withholding, printing Form 1099R, viewing their annuity statement and setting up an allotment. The OPM website lists full details and explains logon procedures. Civil Service annuitants can contact OPM at 1(888) 767-6738 or retire@opm.gov.

Annuitants who return to work as WAE employees should note that they will have two unique logins available to them; one for their annuity account and one to access their earnings while serving as a WAE. Any account changes and updates should be made using the appropriate login.

Annuitant Express can be accessed from any computer with an Internet connection.



For Your Foreign Service Legacy: Stay Connected

For years the AFSA Newsletter has urged you to stay informed and stay connected for your benefits. But as AFSA President Robert Silverman reminded us in his letter to AFSA Newsletter recipients last fall, AFSA membership means much more than assuring retirees their benefits.

Supporting AFSA is an investment in your Foreign Service legacy, whether improving the transparency of the WAE program, maintaining the high professional standards of the Foreign Service or promoting greater understanding of the importance of diplomacy within our society.

The AFSA Newsletter seeks to coordinate more closely with the AFSA website to stimulate an ongoing exchange and dialogue with and among AFSA retirees.

To that purpose, we plan to introduce an "AFSA Retiree Spotlight" feature in an upcoming issue, as a platform for a retiree member to share insights, interests and concerns.

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Learn more at www.afsa.org/fad

We would also like to encourage all Retiree Associations to keep us aware of their upcoming events and other announcements, so we can keep the AFSA website current.

We welcome any comments, ideas and questions. Please contact us at retiree@afsa.org.

Reminder of Limits and Caps on Reemployment of Annuitants

If a Foreign Service annuitant is reemployed under a full-time Civil Service, legislative, judicial branch or presidential appointment, payment of the employee's annuity is <u>suspended</u>. Any federal agency or branch of the government that reemploys an FSRDS or FSPS annuitant must notify the State Department. The employing agency must send the HR Service Center a copy of the Notification of Personnel Action (SF 50) and take other appropriate actions as directed by the Office of Retirement.

There is also an income cap. In any calendar year, the *sum* of the employee's annuity and salary cannot exceed his/her salary at the time of retirement (not adjusted for inflation) or the full-time salary of the position of reemployment, whichever is higher. Payment of your annuity may be continued, subject to the cap on total compensation in any calendar year when reemployed in federal service on a part-time, temporary or intermittent basis.

If you are reemployed on a WAE basis and you do not abide by the limits on total compensation, your annuity may be suspended. You may check your earnings by visiting Employee Express or by e-mailing PayHelp@state.gov and requesting a "salary/annuity limitation audit."

Retiree Counselors

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Upcoming Events at AFSA

AFSA is pleased to offer two excellent events in the coming weeks. On March 25, we welcome Ambassador Gerald Feierstein to present the latest installment in our ongoing series on diplomacy in the Middle East.

Feierstein served as the U.S. ambassador to Yemen (2010-2013), where he faced personal threats and a very hostile environment. He will address the challenges of being the face of U.S. foreign policy in a country that may not be receptive to its message and goals. This will, in some ways, be a true master class in the practice of diplomacy.

Note that this event is open to <u>AFSA members</u> <u>only</u>. It will take place at AFSA headquarters at 2:30 p.m. on Tuesday, March 25. RSVPs for all events should be sent to <u>events@afsa.org</u>.

On April 16 at 2 p.m., AFSA and the Public Diplomacy Alumni Association welcome P.J. Crowley, former Assistant Secretary of State for Public Affairs, to discuss "The U.S. Public Diplomacy Deficit."

The second event in the ongoing AFSA/PDAA speaker series on public diplomacy, this program is open to all AFSA and PDAA members, as well as the general public. RSVPs should be sent to events@afsa.org; the event takes place at AFSA headquarters.

Calling Current and Former USAID FSOs Who Are Alumni of the National War College...

USAID is seeking former USAID Foreign Service officers who are also National War College alumni for a memorial the agency is developing to commemorate 50 years of USAID graduates from the school. As part of this effort, we are seeking to get in touch with USAID NWC alumni to collect images and conduct an oral history project to learn more about your experiences and how your education at NWC affected your USAID career.

If you would like to be involved, please contact Samantha Novick, USAID at snovick@usaid.gov or (202) 712-4034.