

Foreign Service Pension Service (FSPS)

Retirement Coverage

The Foreign Service Pension System (FSPS) is the "new" retirement plan for career Foreign Service employees; all employees covered by FSPS are also covered by social security. In general, all FS employees newly hired since 1/1/84 are mandatorily covered by FSPS. In addition, employees rehired after 1/1/84 who had less than five years of prior civilian service as of 12/31/86, are mandatorily covered by FSPS. An employee who receives a new appointment can often elect FSPS coverage voluntarily during the first six months of the appointment. An employee covered by FSPS pays 1.35% of basic pay to FSPS and 6.2% to social security. When the employee's basic pay reaches or exceeds the annual wage base limit, the social security deductions (except Medicare) end, and the employee pays only 1.35% of basic pay above that level to FSPS. Employees covered by FSPS are eligible for government contributions to their account in the Thrift Savings Plan.

Credit for Service

A basic factor in determining whether an employee is eligible for retirement and in computing the annuity benefit is the total of the years and months of the employee's creditable service. In general, employees will receive retirement credit for all types of Federal civilian and military service subject to the following general rules. An employee cannot receive retirement credit for service under another Federal retirement system, unless the employee waives credit under that system and transfers retirement deductions to the new system.

An Foreign Service career employee who is mandatorily covered under FSPS has all of his or her annuity computed under FSPS rules and the FSPS rules on service credit apply. If a career FS employee voluntarily switches to FSPS and has five years of civilian service before FSRDS Offset coverage AND five years before FSPS coverage, then the service before FSRDS Offset is credited

under FSRDS rules and service under FSRDS Offset is credited under FSPS rules.

Credit for Civilian Service-FSPS

Virtually all types of Federal civilian appointments qualify for credit, subject to the conditions on deposit or redeposit. Service which qualifies for credit, for example, includes all Federal employment in which the individual was appointed to a position in the USG, temporary Christmas appointments at the Post Office, service as a Peace Corps or VISTA volunteer (if necessary deposits paid), service in the D.C. Government (if first hired before 1987), etc. Periods of service under a personal service contract or personal services agreement do not qualify for retirement credit, unless the employee applied for and received approval for credit under P.L. 100-238 in 1991. Employees also receive up to 6 months credit in any calendar year for periods of Leave Without Pay (LWOP) from a Federal job and full credit for any periods during which workers' compensation benefits were paid from the Department of Labor. Employees receive no credit for periods of Intermittent No Work Scheduled (INWS) status under the Family Member Appointment (FMA).

Civilian Service Deposits – FSPS

If an FSPS employee performed a type of federal employment for which no retirement deductions were withheld, the service will not be counted in the annuity unless a deposit is paid. If an FSPS employee performed a type of employment not subject to retirement withholding, and the service was performed after 12/31/88, the FSPS employee cannot purchase credit for the service.

Under Public Law 107-228, employees and annuitants could purchase FERS service credit for service during the period January 1, 1989 through May 23, 1998 performed as an Eligible Family Member under a part-time (16 hours a week or more), or full-time temporary appointment for periods that lasted at least 90

days. That program, the 'Pit Buyback Program,' expired August 29, 2008.

In general, the rate of deposit due for most FSRDS service is 7% of basic pay, plus interest. If the deposit period occurred before 11/1/83, interest on the deposit accrues at 3.0% per year. For a deposit period occurring on or after 11/1/83, annual interest on the deposit accrues at a variable market rate.

Redeposits-FSPS

If an FSPS employee has a type of employment for which retirement deductions were withheld while under FERS or FSPS and subsequently refunded, the service will not be counted in the annuity. An FSPS employee who had received a refund of FSRDS or CSRS retirement deductions may redeposit that refund, plus interest.

Credit for Military Service-FSPS

In general, military service is creditable when the individual served on active duty and received an honorable discharge. If the individual was awarded military retired pay (based on a 20 year military retirement), the military service is not creditable unless the recipient waives the military retired pay. However, an individual awarded military retired pay under the provisions of Chapter 67 of Title 10 U.S.C. (at age 60 based on service in the reserves) can keep the military retired pay and still receive credit for the periods of active duty.

Military Service Deposits-FSPS

Military personnel began paying into social security on January 1, 1957. To offset the double credit for military service in both social security and Federal retirement benefits, the law requires payment of a military deposit, which is 3% of military earnings for service credited under FSPS. If the employee joined the Foreign Service prior to October 17, 1983, the military deposit is required for periods of military service performed on or after January 1, 1977. If the employee joined the Foreign Service on or after October 17, 1983, the military deposit is required for periods of military service performed on or

after January 1, 1957. A summary of details on deposits for military service credit is provided below. Employees who wish to make the military deposit should complete and send the Estimated Earnings During Military Service (form RI 20-97) along with a copy of the DD 214 to the pay office for each branch of service. The pay center addresses are on the reverse side of form RI 20-97. Forms may be obtained by visiting the OPM website or by contacting HR/RET. Once in receipt of your earnings, submit them to HR/RET.

Military Service Credited in FSPS Benefits *

3% Deposit Due for Military Service Interest Begins to Accrue 1/1/89, or 2 years after date first employed under FSPS, whichever is later

* If an employee voluntarily switched to FSPS after performing at least 5 years of civilian service under the old retirement system (FSRDS or CSRS), the military service is credited under the rule "Military Service Credited in FSRDS Benefits."

If military deposit is not paid, post-1956 military service is not available for credit at anytime.

Payment of Deposits/Redeposits

A civilian service deposit or redeposit can be made after retirement while RET is computing the annuity, but a deposit for military service must be paid to the employing agency before the employee retires. Otherwise, the military service cannot be credited.

Extra Service Credit at Unhealthful Posts

Any American Foreign Service employee who received either a new assignment or an extension of a new assignment, either of which was effective on or after February 16, 1990, is not eligible to elect extra service credit in lieu of post differential. Any valid extra service credit election made prior to that date will continue to apply for the duration of the current assignment. Likewise, any valid election made for a prior assignment will continue to be honored in the annuity computation (extra 50% credit for

service for which a valid election was in effect). Employees under FSRDS who made valid extra service credit elections will need to ensure that the post properly certifies and promptly submits OF-140, Election to Receive Extra Service Credit in Lieu of Post Differential, to HR/RET. No extra service credit can be allowed until this form has been received. Employees under the FSPS were never eligible to elect extra service credit at an unhealthful post, but those who transferred from FSRDS to FSPS will receive credit for any valid extra service credit elections made under FSRDS.

Age and Service Requirements for Retirement Eligibility

FSPS Retirement Eligibility

Voluntary:	FSPS: FSPS:	Age 50/20 years service* Age 55-57/10 years service****
Deferred:	FSPS: FSPS (only):	Age 62/5 years service*** Age 55-57/10 years service***
Involuntary:	(Sections 607, 608, 611 and 813 of FS Act): FSPS:	F0-1 and Above: FSPS is eligible for immediate annuity regardless of age and service. F0-2 and Below: FSPS is eligible for immediate annuity provided the age and service requirements for voluntary retirement are met at the time of the involuntary retirement. Any age/25 years service*
Mandatory:	FSPS	Age 65/5 years

	(Section 812, FS Act): FSPS (and, FSRDS) (Section 812, FS ACT):	service. Age 57/20 years Law Enforcement service, if covered by PL 105-382/AID LE retirement.
Disability:	FSPS:	Any age/18 months civilian service

*Requires at least five years of service in the Foreign Service.

**An employee covered by FSPS with five years of service is entitled to an annuity upon separation from service if then 62 or older.

***Minimum Retirement Age (MRA) eligibility provisions The FSPS annuity payable at age 55-57 (MRA) with a minimum of ten years of service is subject to an age-based reduction. The reduction is calculated as five percent for each year the annuitant is under age 62.

Minimum Retirement Age (MRA +10) Retirement (FSPS only)

A participant under FSPS separated voluntarily or involuntarily with at least 10 years of service credit, including at least five years of civilian service may retire at the following ages:

Minimum Retirement Age (MRA) Chart

Year of Birth	Minimum Retirement Age
Before 1948	55
1948	55 and 2 months
1949	55 and 4 months
1950	55 and 6 months
1951	55 and 8 months
1952	55 and 10 months
1953 – 1964	56
1965	56 and 2 months
1966	56 and 4 months

1967	56 and 6 months
1968	56 and 8 months
1969	56 and 10 months
1970 and later	57

A participant in FSPS may retire at the ages shown above on an immediate or deferred basis.

Computation of Retirement Annuity

Basic Annuity (Voluntary/Involuntary Retirement):

- FSPS (with FSRDS component to annuity) – 2% (or 2.5%, see above) of High-3 Average Salary for FSRDS service, including the sick leave balance at transfer plus 1.7% (up to 20 years) of High-3 Average Salary for FSPS Service.
- FSPS (without FSRDS component to annuity) – 1.7% of High-3 Average Salary (see below).

High-Three Average Salary

The salary figure in the "high-three average salary" refers to basic pay, including Law Enforcement availability pay. It also includes locality pay for anyone assigned to the United States who receives it. Also, it includes 'virtual' locality pay, effective 12/29/02, if under FSPS and assigned overseas, but not actually receiving locality pay. It excludes allowances and differentials, awards, bonuses, and information technology incentive pay. It includes a certain percentage of the Physicians Comparability Allowance (PCA), \$30,000, for certain government physicians retiring after 12/28/02 with at least 15 years as a government physician.

Each Employee has only one High-3 Average Salary. The High-3 Average Salary is not computed separately for FSRDS and FSPS service. The same High-3 Average Salary, usually the last 3 years, is used in calculating both the FSRDS and FSPS components to the annuity.

When the 1.7% factor does and does not apply

The 1.7% factor only applies for the first 20 years of FSPS service; after 20 years of FSPS service,

the service factor is 1.0% of high-3 average salary for FSPS service (in excess of 20 years). For example, if one has 10 years of FSRDS, and 25 years of FSPS, the factors are (10 x 2%) plus (20 x 1.7%) plus (5 x 1%) = 59% of high 3 average salary.

If an employee under FSPS (a) does not meet the 50/20 requirement, and (b) is not separated involuntarily (time in class, or involuntary separation from Presidential appointment), the service factor is 1% of high-3 average salary for each year of FSPS service. For example, if one voluntarily retires at age 62 with 5 years of FSPS service, the annuity factor is 1.0% (not 1.7%) of high 3 average salary.

If the employee retires at the end of the month in which he or she reaches 65 and has five years under FSPS, the service factor is 1.7%

Special Formula Under the MRA Provisions

If an employee retires under the FSPS Minimum Retirement Age provisions, the basic annuity is 2% of High-3 average salary for the FSRDS service and 1% of High-3 average salary for the FSPS service. This basic annuity is reduced by 5% for each year the employee is under age 62. However, if the employee has 20 years of service, and retires under the FSPS MRA provisions, the service factor is 1.7% of the high-3 average salary for each year of service up to 20 years (and 1.0% per year thereafter), with no age reduction.

FSPS Annuity Supplement

An annuity supplement is payable to an employee retiring under FSPS who (a) meets the 50/20 age and service requirements (or is otherwise eligible for an immediate FSPS annuity (other than an MRA annuity)), and (b) is under age 62. Those eligible for the supplement receive it automatically until age 55. Once an FSPS annuitant reaches age 55, the annuity supplement is reduced by \$1.00 for each \$2.00 earned above the social security income limitation in any calendar year. The annuity supplement is approximately

\$42 per month for each year of civilian service the employee has under FSPS. The annuity supplement terminates at age 62, even if the employee is not eligible for social security.

FSPS Disability Retirement

If you are under 62, but not eligible for regular (50/20) retirement, your FSPS disability annuity during the first year is 60% of your high-three average salary, less 100% of your social security benefits. During the second year and until age 62, your annuity is 40% of your high-three average salary, less 60% of your social security benefits. At age 62, your annuity is recomputed as if you had worked until age 62; your average salary is increased by the FSPS cost-of-living adjustments.

Ceiling on FSPS Annuity Benefits

There is no ceiling on the amount of annuity payable under the FSPS retirement system. When an employee switches to FSPS after serving 35 years under FSRDS, however, the FSRDS benefit is capped at 70% (plus sick leave), plus the lower of the sick leave balance at the time of the switch, or the current sick leave balance. A refund of excess deductions is payable to the employee. The employee starts earning additional service credit when the FSPS coverage begins.

Unused Sick Leave-FSPS

Unused sick leave is not creditable in an FSPS annuity (without an FSRDS component). If an employee retiring under FSPS has an FSRDS component to the annuity, the amount of unused sick leave at the time of conversion to FSPS is creditable, provided the retiree has at least that much sick leave at retirement. Unused sick leave cannot be used to establish annuity eligibility or used in the average salary computation.

Alternative Form of Annuity (AFA)

AFA or Lump Sum Payment at Retirement The AFA provides an eligible employee with an option of electing a lump sum payment equal to the employee's unrefunded retirement

deductions and a reduced monthly annuity, in lieu of a regular unreduced annuity. (There is no reduction for the AFA in the rate of annuity payable to surviving spouse.) In general, the annuity of one who is eligible to elect the AFA is reduced by about 10-15%.

Eligibility to elect the AFA

Only Foreign Service and Civil Service employees who are suffering from a life threatening illness or disease (who do not retire on disability) may elect the alternative form of annuity in one installment. All other employees are INELIGIBLE.

Survivor Benefits

Increase in Survivor Election-FSPS

In general, an employee and spouse can jointly elect a survivor annuity (if waived at retirement) or, if a smaller amount was elected at retirement, they can increase the level of survivor annuity up to the maximum rate during the first 18 months of retirement. A deposit must be paid before the end of the 18 month period. (The deposit can be as high as \$20,000 - \$30,000 to make this election.)

Survivor Reduction

FSPS: Under FSPS, the maximum survivor benefits are 50% of the unreduced annuity. The employee and spouse at retirement can jointly elect either the maximum survivor annuity (50% of the unreduced annuity, for which there is a reduction of 10%) or the minimum survivor annuity (25% of the unreduced annuity, for which there is a reduction of 5%) or waive altogether the survivor annuity. Former spouses may have intervening rights to survivor annuity by statute or court order.

Death in Service of an Employee Covered by FSPS

If an employee enrolled in FSPS dies in service with at least 18 months of service, the surviving spouse (or former spouse, if eligible by the Foreign Service Act or court order) receives a lump sum death benefit of about \$42,607.52, plus 50% of final salary.

If an employee under FSPS dies with at least 10 years of service, the surviving spouse receives a survivor annuity, which is 50% of the earned annuity, in addition to the lump sum payment.

Death of an FSPS Annuitant

If an FSPS annuitant dies, the surviving spouse or surviving former spouse entitled to benefits, receives the rate of survivor annuity set at retirement, or later, plus whatever COLA's are applicable.

Note: The FEHB enrollment for a survivor annuitant may continue even if the survivor annuity is not large enough to cover the cost of the premium. All that is required is that the surviving spouse be eligible for a survivor annuity of at least \$1.00 a month; this will allow the surviving spouse to pay the FEHB premium directly to the government.

Spousal Benefits in the Event of a Death after Resignation from the Foreign Service, but before retirement eligibility.

For a participant in FSPS who has 10 or more years of Federal service and dies after separation, but before being eligible for an annuity, a survivor benefit is payable if the employee did not take a refund of his/her retirement contributions. If the employee had not reached the MRA when separated, the survivor annuity will begin when the employee would have reached age 62 (age 60 if employee had 20-29 years of service); or, on the employee's MRA if he/she had 30 or more years of service. The annuity can begin sooner if the spouse is a parent of the children. If the employee had attained the MRA when separated (and had at least 10 years of service), the spouse receives ½ of the employee's accrued annuity beginning the day after death.

Benefits to Children When an Employee or Annuitant Dies

Children of employees who die in service while covered under FSRDS or FSPS, and who had at least 18 months of Federal civilian service, are automatically entitled to a survivor annuity. Each child receives approximately \$673 per month, per child (maximum 3 children) if single orphan, and \$808 per month, per child (maximum 3 children) if double orphan.

The monthly annuity is payable provided the child is unmarried and (a) under age 18, or (b) under age 22 and a full-time student. Children of deceased annuitants or employees as described above, who are incapable of self-support due to a disability incurred before age 18, are also entitled to the monthly survivor annuity. The benefits are payable by operation of law and do not require an election or contribution by the employee. If a FSPS employee or annuitant dies, any benefits that are payable to the children are reduced by the survivor social security benefits payable to all children, including those not receiving survivor annuity.

Divorce/Former Spouse Benefits

If a participant in FSPS becomes divorced, the former spouse may be qualified for benefits, provided that (a) the former spouse was married to the participant for at least 10 years during the participant's federal creditable service, of which 5 of the 10 years occurred while the participant was a member of the Foreign Service), and (b) the former spouse has not remarried prior to age 55, and (c) the former spouse has not expressly waived the benefits described herein. The former spouse is entitled to:

- A pro rata share of 50% of the gross annuity benefit of the participant, AND
- A pro rata share of the maximum survivor benefit (50% of the unreduced benefit under FSPS), AND
- Health insurance coverage as a former spouse under the FEHB Program, if the former spouse will be entitled to any

share of the participant's annuity or survivor annuity, and applies for coverage within 60 days of the divorce. The former spouse can remain enrolled in the FEHB coverage for the rest of his or her lives, provided premiums are paid and the former spouse does not remarry before 55. If the former spouse does not qualify for any of the participant's annuity or survivor annuity, the former spouse can still qualify for coverage under the FEHB program under P.L. 100-654, for a period not exceeding 3 years.

Pro Rata Share means a share representing the amount which accrued during the duration of the marriage. The formula for determining a pro rata share is the:

Years of Marriage during Federal Service ÷
Divided by Years of Federal Service

A divorced spouse who does not qualify for statutory benefits may still be entitled to a share of the participant's annuity, or to a survivor annuity, if a valid court order so provides. The valid court order/notarized spousal agreement needs to be submitted to HR/RET as soon as possible after the divorce so that an official determination of benefits may be made. Please consult with HR/RET for any additional information regarding benefits to former spouses.

Taxation of Benefits

Under the law, employees who joined the Foreign Service prior to 9/25/75, and who retire on disability under FSPS, are not subject to Federal income tax. The annuity of all other employees who retire is fully taxable by the Federal government, but each employee is entitled to a tax deduction equal to the amount of the employee's retirement contributions. This tax deduction is distributed over the lifetime of the annuity, so only a portion of the total contributions can be deducted from the taxable income each year. For example, if a single employee had a life expectancy of 20 years at

retirement, 5% of the retirement contributions could be deducted from the taxable portion of the annuity each year. RM/RAD sends each retiree a letter with the total amount of their retirement contributions by January 31 of the year after they retire. This is the amount the retiree should use in determining the non-taxable portion of his/her annuity.

RM/RAD will automatically withhold Federal income tax at the withholding rate applicable for a married employee with 3 dependents (total of 4), unless the employee requests another rate of withholding. Each retiree must specify the amount of state income tax to be withheld. Some states have no income tax, while others exempt all or a portion of Federal annuity benefits from state income taxes. A list of these states is provided below:

State Income Tax

The 50 states tax annuity benefits differently, as described below. Tax laws can change frequently; please refer to your State's website for the most up to date information.

States with no personal income tax: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, Wyoming

States exempting total amount of FS annuity benefits: Alabama, Hawaii Illinois, Kansas, Louisiana, Massachusetts, Michigan, Mississippi, New York, and Pennsylvania

States allowing partial exemption of FS annuity benefits: Arizona, Arkansas, Colorado, Delaware, District of Columbia, Georgia, Idaho, Indiana, Iowa, Kentucky, Maine, Minnesota, Maryland, Missouri, Montana, New Jersey, North Carolina, North Dakota, Oklahoma, Oregon, Puerto Rico, South Carolina, Utah, Virginia, West Virginia, and Wisconsin.

For more information, see also the AFSA tax guide at <http://www.afsa.org/taxguide.cfm>

Taxation of Lump Sum Payments

A lump sum payment for unused annual leave is treated as a salary payment. It is taxable as

wages in the tax year during which you receive it. Withholdings will be deducted from your lump sum payment. If the employee is moving to a state without income tax before h/she receives the lump-sum payment he/she should complete a W-4 (in addition to the W-4P) at retirement to ensure the lump sum is taxed appropriately.

Taxation of the Lump Sum Payment under the Alternative Form of Annuity (AFA)

The lump sum payment under the AFA is taxable unless as explained below, it is "rolled over" to an IRA. In general, 85-90% of the lump sum payment is taxable. (To obtain the percentage of the AFA that is taxable, the rate of annuity with the AFA is divided by the rate of annuity without the AFA.) If an employee retires before the year in which he or she reaches age 55, and elects the AFA, and declines to make a "roll over", there is a tax penalty of 10% of the taxable portion of the lump sum payment.

Roll Over of Lump Sum Payments

Under Public Law 102-318, certain lump sum payments authorized under FSPS can be 'rolled over' to an Individual Retirement Account (IRA) if the lump sum payment is dated on or after January 1, 1993.

- The taxable portion of a lump sum payment under the alternative form of annuity. In general, about 85% to 90% of the AFA payment is taxable, so this represents a significant tax savings for a retiring employee; and
- Interest on refunds of excess deductions. Under the law, FSPS employees who have an FSRDS component with more than 35 years of service will receive a refund of the retirement deductions, plus interest, withheld. While the retirement deductions that were withheld after 35 years, are not taxed (it was part of salary that had been taxed), the interest on those contributions is taxable, and can be rolled over to an IRA.

Marriage to non-U.S. Citizen

Under a 1988 change to the inheritance law, the actuarial value of a survivor annuity benefit payable to a non-U.S. citizen is added to the value of the decedent's estate for tax purposes. The law may only adversely impact those with estates with a projected value that exceeds \$675,000.00 (including the value of the survivor annuity), because of estate credits.

Voluntary Contributions

Unlike participants of the Civil Service Retirement System (who are eligible to make voluntary contributions to the CSRS), Foreign Service participants are ineligible (Public Law 94-350, July 12, 1976) to make voluntary contributions to the FSPS. Participation in the TSP is the only government-sponsored investment option available to Foreign Service employees.

Reemployment of Annuitants

Federal retirees have the right to apply for a government job and return to full or part-time status, subject to restrictions. When a retiree is reemployed by the Government, it may have an effect on his/her annuity. The annuitant should tell the employing agency that he or she is an annuitant. The agency must, in appropriate cases, notify the Department of State when the annuitant is reemployed and when the annuitant resigns or re-retires.

As a general rule employment outside the government has no effect on the amount of an FSPS annuity or the annuitant's right to receive it.

Effect on Annuity Payments of Reemployment in the Federal Government

When a retiree is reemployed by the Government, the effect on annuity payments depends on the basis for the original retirement and, in some cases, the type of appointment in which the individual is reemployed.

If an FSPS annuitant is reemployed on a part-time, intermittent or temporary basis, payment of the annuity continues subject to a cap on

total compensation. If an FSPS annuitant is reemployed under a full-time civil service, Legislative or Judicial Branch appointment, or a Presidential appointment (other than a part-time, intermittent or time-limited appointment) payment of the employee's annuity terminates. At the conclusion of the appointment, payment of the annuity resumes, together with intervening cost of living adjustments applicable during the period of reemployment.

In any calendar year, the sum of the employee's annuity and salary cannot exceed the higher of the salary at the time of retirement (unadjusted for inflation) or the full-time salary of the position in which one is reemployed. Compensation for this purpose includes annuity payments to a former spouse entitled to benefits under the provisions of the Foreign Service Act. Annuity payments to the retiree and the former spouse are included unless those payments were scheduled for receipt in a prior or subsequent year. Salary paid before retirement is NOT included in the cap.

Recall into the Foreign Service

If a Foreign Service annuitant is recalled (under Section 308(a) of the Foreign Service Act), the annuity is suspended, and the period of recall service will be subject to FSRDS, FSRDS Offset or FSPS retirement coverage. (If a retiree under FSRDS or FSRDS Offset elects FSPS coverage during recall service, the annuity is not adjusted when the recall period ends and the provisions of Section 824 of the Foreign Service Act apply.) Otherwise, if the recall lasts a year or more, the annuitant may elect a supplemental annuity. If the recall lasts five years, the annuitant may elect a recomputed annuity. If a recalled employee does not qualify for a supplemental annuity or recomputation of annuity, payment of the annuity resumes, and the employee may receive a refund of retirement contributions.

Provisions Governing the Reemployment of FS annuitants

There are two basic provisions for adjusting benefits when an FS annuitant receiving retirement benefits under FSRDS or FSPS is reemployed. The first provision, suspension of annuity during reemployment, applies when the annuitant is hired in a full-time, career (type) appointment. The second provision, continuation of benefits subject to the salary/annuity limitation, applies when the annuitant has been continuously reemployed in a part-time, temporary or intermittent (WAE) basis.

Part-time, Intermittent or Temporary Employment

An appointment is considered part-time when the regular tour of duty is less than a full-time appointment of 40 hours per week. An intermittent, or WAE (When Actually Employed) appointment is an appointment without a regularly scheduled tour of duty. A temporary appointment is an appointment which (1) is less than permanent or career in nature (a Presidential appointment is not considered a temporary appointment for this purpose) and which (2) (a) imposes a time limitation or (b) excludes the individual from retirement coverage under a Federal retirement system. In general, the appointment must be limited to one year or less, but some temporary appointments may exceed one year and still qualify as temporary for this purpose.

"Cap" on the Salary/Annuity Earnings

The salary/annuity limitation or "cap" on earnings is the higher of (a) the salary at the time of retirement, or (b) the full-time salary of the position in which reemployed. Please note the salary at the time of retirement is not adjusted for inflation, but the full-time salary of the position in which reemployed will change when an employee receives pay increases.

NOTE: Locality pay is not factored into this computation unless actually received for a domestic assignment.

When the salary/annuity limitation is reached

With regard to payment of annuity, any annuity that is received or scheduled for receipt, within a particular calendar year is considered income for purposes of the salary annuity limitation.

However, the lump-sum payment under the alternative form of annuity (AFA) is not considered income for purposes of the salary/annuity limitation.

With regard to salary, any post-retirement income which is part of basic pay, and which is received or scheduled for receipt within a given calendar year, is considered income for purposes of the salary annuity/limitation. Lump sum payments of annual leave, salary differentials, etc., are not considered income for this purpose. Payments which are normally payable on a given date are considered income even if the check was lost or otherwise not negotiated during the particular calendar year.

It is also useful to note that the determining factor is whether the income was received during a particular period. The date the income was earned does not affect the salary annuity limitation.

Payments to former spouses, either by statute or court order, constitute the retired annuitant's income

Any payment or deduction that reduces the amount of annuity payable to the retired annuitant, or reduces the gross amount of annuity (former spouse benefits, alimony, child support, etc.), is considered income of the annuitant.

Reductions in the basic annuity, which are factored in computing the gross annuity payable to a retired employee, are not considered income of the annuitant. For example, if the annuity were reduced by a factor of 10% to provide a survivor benefit, the amount of the reduction would not be considered in the annuitant's income. Likewise, if the annuity is reduced for an unpaid deposit, the rate of annuity after reduction for the unpaid deposit is

the amount used in determining post-retirement income.

Application of salary/annuity limitation

The salary/annuity limitation begins to take effect when the employee retires; therefore, income received prior to the commencing date of the annuity is not considered in the salary/annuity limitation. The law provides that the salary/annuity limitation is determined on a calendar year basis; the salary annuity/limitation is not prorated during the first calendar year of retirement.

Service under a Personal Service Contract

Individuals who are hired after retirement under a personal services contract are not considered Federal employees; therefore, the annuity of such an annuitant is not adjusted. If an appointment is effected through the contract and the individual is considered a (Federal) employee by the employing agency, the person is treated as an employee for purposes of Section 824 of the FSA.

Selecting a Date of Retirement

The selection of an employee's actual date of retirement is a decision that should be based on careful research and planning. It makes a difference which month of the year and day of the month a person chooses to retire. Among the factors to consider are the following:

- If you are under FSPS, and you voluntarily retire the last day of the month, your annuity will begin the next day; however, voluntarily retiring on any other day of the month will delay the start of your annuity until the first day of the following month.
- If you are under FSPS and you involuntarily retire, or you retire on a disability retirement, your annuity will begin the next day.
- If you retire at the end of the pay period, you will be paid for the annual leave accrued for that pay period.

- If you retire by the end of the leave year, you will be paid for all leave.

COLA'S After Retirement - FSPS

Cost-of-Living adjustments for benefits under FSPS are determined in accordance with the provisions of Section 858 of the Foreign Service Act. Under those provisions, the COLA is payable December 1, based on the preceding rise in the Consumer Price Index (see below for exceptions) through the preceding September 30. The first COLA after an annuity begins is prorated based on the number of months in which annuity was payable prior to December 1.

- If the rise in the CPI is 2.0% or less, the FSPS annuitant's COLA is based on the full increase in the CPI.
- If the rise in the CPI is 2.0% to 3.0%, the FSPS annuitant's COLA is the actual increase in the FSPS annuitant's COLA is 2.0.
- If the rise in the CPI is above 3.0%, the FSPS annuitant's COLA is the rise in the CPI less 1.0%.

FSPS annuity benefits with an FSRDS component receive an FSPS COLA on the FSPS component to their annuity and an FSRDS COLA on the FSRDS component to their annuity. FSPS survivor annuity benefits are increased by FSPS COLA rules, even if they are based on an employee's FSPS service that includes an FSRDS component.

COLA's are not payable on FSPS disability annuity benefits during the first year of the annuity roll if the annuity is based on 60% of his or her average salary. Subsequent COLA's on FSPS disability annuity benefits are based on FSPS COLA's, even though there may be an FSRDS component to the FSPS disability annuity. No COLA is payable on the FSPS annuity supplement. No COLA is payable on an MRA + 10 Annuity, until age 62, unless there is an FSRDS component to that annuity, which is increased by FSRDS COLA rules.

COLAs on children's benefits

All survivor annuity benefits to children, whether based on FSRDS or FSPS service, are based on the FSRDS COLA rules. The FSPS Basic Employee Death Benefits is increased by FSRDS COLA rules.