



Late-Career Retirement Planning

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What if I resign before I qualify for immediate retirement?

- **Lose entitlement to a monthly pension for life (exceptions: deferred annuity or federal re-employment); get pension contributions refunded**
- **Lose health insurance (after a transition period) and life insurance**
- **Keep TSP account containing what you contributed plus, if you have at least three years in the TSP, the money your agency contributed**
- **Keep the Social Security credit you earned while in Foreign Service**

What benefits do I forgo if I retire before TIC/TIS/age 65?

For each year of employment forgone by retiring before required you forfeit:

- **a year's salary**
- **a year of service credit added to your retirement benefit calculation**
- **a higher “high-three” if you receive a pay increase in final year**
- **a year of continuing to contribute to your TSP account**
- **the 5 percent of salary the government deposits into your TSP account**
- **use of the Flexible Spending Account (not available to retirees)**
- **paying FEHB premiums with pre-tax dollars (not available to retirees)**

When can I retire?

- **Voluntary:** at least age 50 with at least 20 years of service, age 55-57 (MRA) with at least 10 years service, or age 62 with at least 5 years
- **Involuntary (TIC/TIS):** FS-1 or above – any age, FS-2 or below – age 50 or older (are kept on to age 50), or any age with 25 years of service
- **Mandatory:** age 65 with at least five years of service
- **Other:** deferred (resign with at least 10 years of service but then start pension later at MRA, or at 62 with at least 5 years service), disability

How much do I get?

- **If at least age 50 with at least 20 years: 1.7% of high-three average salary times 20 years, plus 1% of high-three salary for years beyond 20**
 - **Example with 30 years at \$150,000 salary: $(.017 \times \$150,000 \times 20) + (.01 \times \$150,000 \times 10) = \$66,000$ pension per year (before reduction for survivor benefits, health and life insurance premiums, and federal and state tax withholding)**
 - **Note: Salary = Base pay + domestic locality pay or virtual locality pay for overseas employees. Excludes hardship pay, etc.**
- **Involuntary (TIC/TIS): same as above**
- **Mandatory (age 65 with at least five years of service): same as above**

How much do I get? (cont.)

- **Other (MRA, deferred, disability): it varies**
 - **Most pensions based on fewer than 20 years of service are calculated at a 41 percent lower rate : 1 percent instead of 1.7 percent per year of high-3 average salary (no reduction is made if retiring on the last day of the month in which you turn age 65).**
 - **Retirements at between 10 to 19 years of service under minimum retirement age (MRA) provisions prior to age 62 are subject to additional reductions.**

What do I get?

- **Annuity: monthly pension payment for life (retiree then any survivor)**
- **Annuity supplement: monthly payment until age 62**
- **Cash: lump-sum payment for unused annual leave**
- **Social Security: monthly payment for life starting at or after age 62**
- **TSP: you decide when and how much to withdraw**
- **FEHB health insurance: lifetime coverage at subsidized rate**
- **FEGLI life insurance: option for free reduced coverage after age 65**

Issues to consider

- **TSP: Stocks vs bonds**
 - **If you or your survivor anticipate drawing on your TSP savings decades from now, most experts recommend having more stocks than bonds in your TSP portfolio to increase your chances of generating long-term rates of return that outpace inflation.**
 - **From time to time, you should review the stocks-versus-bonds balance in your investments to make sure the balance is appropriate for your investment time horizon and risk tolerance.**

Issues to consider (cont.)

- **Career length:** can end sooner than you want
- **Promised benefits:** possible future cuts and/or tax increases
- **Social Security:** when to start, will it be there?
- **Medicare Part B:** whether to sign up at age 65
- **Post-retirement employment:** potential impact on pension
- **Health:** key to a happy retirement

Retirement planning checklist

- **Beneficiary designations:** ensure are up-to-date: SF-2823 (FEGLI), TSP-3 (TSP), DS-5002 (retirement benefit), SF-1152 (unpaid salary)
- **Prior service (if applicable):** buy back military, Peace Corps, or other federal service; obtain retirement credit for prior Civil Service employment; verify your *retirement* Service Computation Date (SCD)
- **Divorce decree (if applicable):** have divorce documentation reviewed by GTM/RET (contact HRSC@state.gov)

Retirement planning checklist (cont.)

- **TSP, IRAs: maximize contributions, chose a portfolio with average returns that beat inflation, select between Roth and Traditional**
- **Estate planning: will, power of attorney, and medical directive**
- **Leave: save sick leave (adds to pension), save annual leave (cash payment at retirement), use home leave (use or lose)**
- **Long-term care insurance: consider getting it**
- **Employee Express: use it while active duty and as a FS retiree**

Steps to take during final year of employment

- **TSP: contribute the maximum annual amount authorized even if you retire at mid-year**
- **Flexible Spending Account: maximize use since not available to retirees**
- **Employee Express: add personal email address to Login.gov account**
- **Retirement application: submit at least 90 days prior to retirement**
- **AFSA: re-join AFSA as annuitant since dues deduction from salary ends (for details, see AFSA website or email member@afsa.org)**

Learn more

FSI retirement planning seminars (some sessions offered virtually):

- **RV105 (2-days, early and mid-career): annuity, TSP, financial planning, estate planning, long-term care**
- **RV101 (4-days, within 10 years of retirement eligibility)**
 - Days 1 and 4: Social Security, Medicare, taxes, long term care**
 - Day 2 (RV104): annuity, TSP**
 - Day 3 (RV103): financial planning, estate planning**

<https://www.state.gov/career-transition-center-ctc/>

Learn more (cont.)

Official guidance from State's Office of Retirement (GTM/RET):

- **RNet Internet site <https://www.state.gov/rnet/>**
- **DoS Intranet: Employee Retirement Portal, section for Bureau of Global Talent Management**
- **ALDACs (posted on AFSA website under “Retirement Services”)**
- **GTM/RET presentations at FSI retirement planning seminars**
- **HRSC@state.gov or your agency HR if not with State**
- **Can meet with RET counselor six months before retirement date**

Learn more (cont.)

On AFSA website under “Retirement Resources”:

- “Retirement Planning 101” *Foreign Service Journal*, April 2020
- "Twelve Retirement Pitfalls to Avoid" *FSJ*, April 2021
- “Re-Employed Annuitant Program” *FSJ*, May 2022
- AFSA retirement planning checklists:
 - Mid-Career Checklist
 - One Year Out Checklist
 - Checklist for Current Retirees

Learn more (cont.)

On AFSA website under “Retirement Services” (cont.):

- **State Department retirement benefits ALDACs**
- **Videos of benefits presentations by subject matter experts (TSP, Social Security, long-term care, Medicare Part B)**
- **List of financial planners, tax advisors, and estate planners**
- **Links to useful websites**

After Retirement

- **Save retirement paperwork (including FEGLI “CSI” number)**
- **Read GTM/RET annuitant newsletter (<https://www.state.gov/rnet/>)**
- **Use Employee Express to manage your pension**
- **To ask about or change benefits, contact HRSC@state.gov (not OPM)**
- **To contact State finance (CGFS) email AnnuityPaySupport@state.gov**
- **Monitor your TSP account**
- **AFSA: maintain AFSA membership in retirement (member@afsa.org)**



Questions?