

Retirement Benefits FAQ for Current Employees

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[Should I Stay, or Should I Go?](#)

[Retirement Planning Checklists](#)

[Retirement Credit for Prior Service](#)

[What is the FSPS Annuity Supplement?](#)

[Divorce and Foreign Service Retirement Benefits](#)

[How Your FS Pension Functions as a Bond](#)

[Your Leave Balances at Retirement](#)

[Accessing Your Social Security Records](#)

[FSI Retirement Planning Seminars](#)

[Avoiding Pitfalls in Accessing Annuitant Express at Retirement](#)

[Expert Financial and Estate Planning Advice](#)

[How to Maintain AFSA Membership after Retirement](#)

[AFSA's One-Stop Retirement Services Webpage](#)

[How to Get Help from AFSA on Retirement Issues](#)

Current Employees

Should I Stay, or Should I Go?

Not sure if you will stay for a full Foreign Service career? Here is what happens to your federal benefits if you resign before reaching eligibility for retirement.

Resigning prior to meeting the age and service requirements for an immediate annuity ends your entitlement to a monthly pension payment for the rest of your life. An exception is that, if you served at least five years, you could leave your retirement contributions deposited in the Foreign Service pension fund so you can receive a deferred annuity starting between ages 55 and 62 depending on your length of service and year of birth. That monthly payment would be much smaller than if you had served a full career and retired at a higher pay grade. Also, you would not be allowed to restart the FEHB health insurance and FEGLI life insurance that terminates at resignation.

Another option is to leave your retirement contributions deposited in the pension fund in case you later take a Civil Service job and want to add your Foreign Service time to your Civil Service time to qualify for a Civil Service pension. If you are not interested in either future Civil Service employment or waiting for a deferred Foreign Service annuity, then you can receive a full refund of your retirement contributions at resignation.

As noted above, resignation terminates any FEGLI life insurance coverage and, after a transitional period, FEHB health insurance. Any FEDVIP dental or vision coverage ends but existing Federal Long Term Care coverage continues for as long as you pay premiums.

Resigning employees are paid a lump sum for unused annual leave, but not for unused sick leave and home leave.

If you resign, you can no longer put new money into the TSP, but you may keep your TSP account containing what you contributed plus, if you were in the TSP for at least three

years, the money your agency contributed. You may keep that money invested in the TSP, withdraw some or all of it (paying any applicable early-withdrawal penalty), or transfer the money to an IRA.

Finally, if you resign you keep the Social Security credit you earned while in the Foreign Service. That credit will be added to any previous or future private sector Social Security credit when you apply for Social Security benefits at or after age 62. (Updated May 2022)

Retirement Planning Checklists

Two handy retirement planning checklists are posted on the AFSA Retirement Services web page at <http://www.afsa.org/retirement> under Getting Ready for Retirement. The Retirement Planning: Mid-Career Checklist covers 13 steps that employees should take years before they submit their retirement application. The Retirement Planning: One Year Out checklist covers 15 steps that employees can take just prior to retirement to maximize their benefits and help make the retirement process go smoothly. An AFSA webinar walking members through the Mid-Career Checklist, providing invaluable context, is available on the AFSA Retirement Services web page at www.afsa.org/retirement.

Retirement Credit for Prior Service

If you worked elsewhere in the federal government prior to joining the Foreign Service, the Service Computation Date (SCD) listed in your records may be wrong for retirement purposes. The SCD that you have seen on your SF-50s over the years (documenting promotions, reassignments, etc.) is only for leave purposes. While employees get annual leave credit for almost any federal employment, we only get retirement credit for certain employment. If your retirement SCD is inaccurate when you apply for retirement, the State Department's Office of Retirement may inform you that you are not yet eligible to retire or that your monthly pension payment will be lower than you expected.

To avoid such bad news, see ALDAC cable 21 State 10876 "The Retirement Process: Retirement Credit for Prior Service" posted on the AFSA Retirement Services web page at www.afsa.org/retirement under Getting Ready for Retirement. It explains that employees who had federal civilian or military service prior to joining the Foreign Service must proactively take steps if they want to increase their Foreign Service pension and advance their retirement eligibility date by obtaining retirement credit for that prior service. State employees do this by contacting HRSC@state.gov. Employees at USAID, FCS, and FAS need to contact their own agency's HR office. It is critical to start this process at least one year before retirement as it requires interagency coordination which takes time.

To have prior military service or Peace Corps service credited for Foreign Service retirement purposes, you must make a deposit into the Foreign Service pension fund to cover the employee retirement contributions (plus interest) that were not made originally.

To have prior Civil Service time credited for Foreign Service retirement purposes, you must proactively contact HRSC@state.gov asking them to send a request to the Office of Personnel Management (OPM) to transfer to the Foreign Service pension fund the Civil Service pension fund contributions that you made during that earlier job. (Updated May 2022)

What is the FSPS Annuity Supplement?

The Foreign Service Pension System (FSPS) Annuity Supplement is a benefit paid to employees who retire on an immediate annuity prior to age 62. Since FSPS retirees cannot draw

on Social Security until age 62, the Annuity Supplement bridges that financial gap by paying you an amount approximating your Social Security benefit at age 62. The payment is separate from, and in addition to, your basic annuity which is based on your years of service and high-three year's average salary. You do not apply for the Annuity Supplement; it is paid automatically along with your basic annuity. If you retire after age 62, no Annuity Supplement is paid. Here are some key facts about the Annuity Supplement:

- It is subject to reduction if you have substantial wage earnings from post-retirement employment (not income from pension, TSP withdrawals, investments, or other non-wage income). In 2022, reductions start if you earn over \$19,560 during the calendar year. Your Annuity Supplement is reduced \$1 for every \$2 earned over that amount. For example, if a retiree has wage income of \$30,000 in 2022, their 2023 Annuity Supplement will be reduced by \$5,220 (\$435 per month). One year later, their 2023 wage earnings will determine if reductions will be taken to their 2024 Annuity Supplement. Reductions are based on the annual income report that Annuity Supplement recipients are required to send to the Human Resources Service Center in Charleston, SC in early January each year.

- If you are receiving the Annuity Supplement but fail to file your annual income report in early January, the Department of State's Office of Retirement will suspend your Annuity Supplement without warning until you submit the required report. For the required form and instructions, see State's Foreign Service Annual Annuitant Newsletter posted under "What's New" at <https://Rnet.state.gov> and on the AFSA Retirement Services web page at www.afsa.org/retirement under General Information on Retirement Issues.

- The earnings test does not apply immediately to those who retire prior to their Minimum Retirement Age (MRA) which is between age 55 and 57 depending on year of birth (57 for those born after 1969). Thus, retirees can earn as much as they want prior to their MRA without having their Annuity Supplement reduced.

- Finally, payment of your Annuity Supplement automatically ceases after the month that you turn age 62 whether or not you apply for Social Security. (Updated May 2022)

Divorce and Foreign Service Retirement Benefits

The Foreign Service Act has unique provisions regarding the impact of divorce on retirement benefits about which even some Washington, D.C.-area divorce attorneys are unaware. A State Department summary of the rules is contained in a May 2019 ALDAC cable which is posted on the AFSA Retirement Services web page at <http://www.afsa.org/retirement> under Getting Ready for Retirement.

For example, Foreign Service spouses enjoy a default statutory entitlement to benefits if they meet certain requirements. The default entitlements can be altered through a court order or spousal agreement. However, to be valid the order or agreement must specifically refer to Foreign Service benefits.

Divorced Foreign Service employees must submit all relevant divorce documentation to the Department of State's Office of Retirement prior to retirement. E-mail a certified copy of the entire court order and all attachments to the HR Service Center at HRSC@state.gov or email that address asking for mailing instructions. The Office of Retirement will review the documentation and provide a divorce determination letter explaining who gets which retirement benefits or portions thereof.

Retirees should report any change in marital status (divorce, marriage, or death of spouse) by notifying the HR Service Center and providing the relevant documentation. A retiree

who remarries has a limited period within which to make a survivor election for the new spouse. (Updated May 2022)

How Your FS Pension Functions as a Bond

Financial advisors recommend keeping retirement savings in a diversified portfolio. The most basic diversification is between stocks and bonds. Stocks provide gains over the long-term that allow the value of your investments to outpace inflation. Bonds limit short-term drops in the value of your investments during stock market downturns.

Two examples of diversified portfolios are:

- the TSP L Income Fund (usually recommended for current retirees) which is around 76 percent bonds (G and F Funds) and 24 percent stocks (C, S, and I Funds).
- the TSP L 2045 Fund (usually recommended for people who expect to begin TSP withdrawals around 2045) which is currently around 23 percent bonds and 77 percent stocks.

However, few TSP account holders realize that their Foreign Service pension is a functional equivalent to a bond. That is because pensions like bonds provide a reliable stream of fixed periodic payments. Moreover, a Foreign Service pension is equivalent to a U.S. government bond that, unlike corporate bonds, is backed by the full faith and credit of the USG.

This means that, for example, a retiree who is receiving, or a current employee who will receive, a \$5,000 per month pension is benefiting from periodic payments equivalent to their owning a \$1.5 million bond that pays four percent of its value annually.

Here are two examples of the impact of that fact:

- for a retiree with a \$5,000 per month pension who has \$900,000 in the TSP L Income Fund, their combined portfolio of TSP plus pension is equivalent to their holding 91 percent (not 76 percent) of their retirement assets in bonds.
- for a current employee who expects to receive a \$5,000 per month pension and to retire with \$900,000 in the TSP L 2045 Fund, their combined portfolio of TSP plus pension is equivalent to their holding 71 percent (not 23 percent) of their retirement assets in bonds.

Those allocations may satisfy people whose top concern is the preservation of their current TSP balance during occasional stock market downturns. However, people who are more concerned about maintaining the purchasing power of their retirement assets over several decades may wish to hold more of their TSP holdings in stocks. (Updated May 2022)

Your Leave Balances at Retirement

If you are unsure about what happens to annual leave, sick leave, and home leave at retirement, here is an explanation:

- Annual Leave: The accrued annual leave listed on your final pay statement is paid out to you in a lump sum after retirement. If you have a lot of unused annual leave, that can amount to a substantial sum to fund your initial retirement activities. But don't get too excited – about 40 percent will be withheld for federal and state taxes, Medicare, and Social Security.
- Sick Leave: At retirement, unused sick leave is added to the length of service that is used to compute an immediate annuity. For example, 2116 hours of sick leave convert to one year and five days of additional service credit. But note that unused sick leave cannot be used to reach retirement eligibility. For example, you cannot add six months of sick leave to 19.5 years of service to qualify for a retirement requiring 20 years of service.
- Home Leave: Home leave disappears at retirement. Home leave is not an employee benefit but is a requirement of employment. Its purpose is to reorient us to the U.S. after

extended overseas service in anticipation of future overseas assignments. Since that justification does not apply at retirement, all unused home leave is forfeited. So, either use it during your career or lose it at retirement. (Updated May 2022)

Accessing Your Social Security Records

All future and current Social Security beneficiaries should create a My Social Security account on the Social Security Administration's website. On it, future beneficiaries can view a personalized retirement benefits report that estimates the monthly payment they will receive depending on the age they apply (between age 62 and 70). Current Social Security beneficiaries can perform numerous functions, including updating their address and direct deposit information. To create a My Social Security account, go to www.ssa.gov and click on Sign In/Up. You will be asked to verify your identity by providing personal information about yourself and answering questions taken from your credit report that only you are likely to know. You will need to enter a valid U.S. mailing address. If you currently have a fraud alert on your credit reports, you will face additional registration steps.

Once logged in, you can generate a personalized Social Security statement showing your year-by-year lifetime earnings history. Check to make sure it captures all your income that was subject to Social Security withholding. If any are missing, see the online instructions on what action to take. (Updated May 2022)

FSI Retirement Planning Seminars

Employees from all Foreign Service agencies who have not taken any of FSI's excellent retirement planning seminars owe it to themselves to do so. Even if you took one several years ago, you might want to re-take it since rules and procedures can change over time. Watching in-depth presentations by subject matter experts may help you avoid major oversights in your retirement planning.

The seminars are the 2-day RV105-Early/Mid-Career Retirement Planning and the 4-day RV101-Retirement Planning Seminar for employees retiring within the next 10 years. RV101 has two sub-components that can be taken individually if you do not have time to view the full four days: RV103 (1-day, financial and estate planning) and RV104 (1-day, annuities and TSP).

For more information and instructions on how to register, see <https://fsitraining.state.gov/Search?q=RV>. (Updated May 2022)

Avoiding Pitfalls in Accessing Annuitant Express at Retirement

Department of State employees who are nearing retirement should make sure that they can logon to www.EmployeeExpress.gov using their Login.gov password since they will not be able to login with an ID card reader as a retiree. They should also make sure that their current personal email address and home mailing address are recorded in their Employee Express account in case they have problems logging on after retirement and need a password mailed to them.

Expert Financial and Estate Planning Advice

If you ever need a professional financial planner, tax expert, or an attorney specializing in wills and trusts, check the referral list on the AFSA Retirement Services web page at <http://www.afsa.org/retirement> under Financial Planners, Tax Help, and Estate Planners.

The list features financial planners, accounting services, and estate planners who have successfully represented Foreign Service employees. Some on the list were recommended by AFSA members, some have advertised with the *Foreign Service Journal*, and some are frequent speakers at retirement planning presentations at the Foreign Service Institute and AFSA.

This list is provided as a courtesy. Just like the attorney list that has long been on the AFSA website, AFSA does not endorse anyone on the list, nor does it accept responsibility for the consequences of acting on their advice. (Updated May 2022)

How to Maintain AFSA Membership after Retirement

AFSA membership does not automatically convey upon retirement. In order to continue your membership, you may sign up during the completion of your retirement paperwork at your agency's HR Office or get in touch with AFSA at any time by emailing member@afsa.org.

AFSA offers many benefits to its retired members to help them stay engaged, informed, and connected with their profession. A sampling of services includes AFSA's curated Daily Media Digest, the *Foreign Service Journal*, the Retirement Newsletter, programs (both in-person and virtual), regional associations, and personalized help with any bureaucratic issues. In turn, retirees can help to support AFSA's critical ongoing advocacy for diplomacy and development.

Dues are significantly less for retirees, approximately one half of those for active-duty personnel. Please refer to <http://www.afsa.org/retired-membership> for further information.

AFSA's One-Stop Retirement Services Webpage

AFSA maintains a Retirement Services page at <http://www.afsa.org/retirement-services> that contains over 100 documents and links useful to retirees, ranging from State ALDACs with authoritative information on retirement to AFSA-sponsored webinars on financial planning to clear retirement-related checklists. It is helpful for both active duty and retired personnel as it contains pre- and post-retirement information. The page also includes webinars on post-retirement employment opportunities.

AFSA recommends that you familiarize yourself with this resource, as it is a ready place to answer the most common questions regarding retirement. Retirees have especially noted how valuable the page is once they lose access to their agencies' intranets.

How to Get Help from AFSA on Retirement Issues

AFSA's Counselor for Retirees is available to help AFSA members with retirement-related questions and can refer members to an array of resources. The Counselor also can help when members hit bureaucratic snags with their retirement benefits, or just do not know how to get a particular matter resolved. You can reach the Counselor, Dolores Brown, at brown@afsa.org