Top 10 Things a Spouse Should Know About Federal Benefits

A White Paper
Re-Published from narfe Magazine

National Active and Retired Federal Employees Association
THE NEXT BEST THING to being a federal employee is being married to one! Being the spouse of a federal employee or retiree provides valuable insurance benefits, a stable retirement, and protection from unforeseen and costly life events.

I should know. In addition to specializing in helping federal employees understand their benefits and transition to retirement, I am the spouse of a just-retired federal employee who served 35 years as a federal law enforcement officer.

Here are 10 important things you should know about if you are – or were – married to a federal employee or retiree:

1. **Retirement Benefit**

   Your spouse will be entitled to a retirement benefit after as little as five years of civilian federal employment. The value of this benefit, sometimes referred to as a pension or annuity, is based on a calculation of federal service and average salary:

   - Under the Federal Employees Retirement System (FERS), which generally covers those hired on or after January 1, 1984, the benefit is usually computed at 1 percent times the high-three years’ average salary times service, but 1.1 percent is used if the employee retires at age 62 or older with at least 20 years of service.
• Under the Civil Service Retirement System (CSRS), which covers most employees hired before 1984, the computation is 1.5 percent of the high-three for the first five years, then 1.75 percent for the next five years, and finally 2 percent of the high-three for the years and months of service beyond 10 years. (Here’s a computation shortcut: Multiply the high-three average salary by length of service times 2 percent, then subtract 3.75 percent. The formula looks like this: length of service x .02 - 0.375.)

There are more generous computations used for federal law enforcement officers, firefighters and some other special groups. The government deducts a mandatory retirement contribution toward this benefit from employees’ salaries. Retirement benefit estimates are available through your spouse’s human resources or payroll office. Here is an example of how the computation works out: After 30 years of service, the CSRS retirement benefit would be 56.25 percent of the high-three; under FERS, this benefit would be 30 percent or 33 percent, depending on the employee’s age at retirement.

Employees who resign from federal service before becoming eligible for an immediate retirement can get a deferred retirement depending on their retirement system and how much service they had when they left federal service, as long as they do not apply for a refund of their retirement contributions. But they do not get lifetime continuation of their insurance benefits.

CSRS and FERS retirement benefits are administered for most federal retirees by the Office of Personnel Management (OPM). Learn more about immediate and deferred retirement benefits at www.opm.gov/retire.

2☆Death Benefit

If you are the spouse of a federal employee, benefits are payable to you if your spouse dies before retiring from federal service. Under CSRS, the surviving spouse of a federal employee who has completed at least five years of service would receive a lifetime survivor benefit equal to 55 percent of the employee’s earned retirement, computed as if the employee had retired on the date of his or her death. Under FERS, surviving spouses generally receive a lump-sum benefit of $32,326.58 (2015 rate) plus 50 percent of the employee’s final annual salary (or high-three average salary, if higher). If the employee had completed 10 years of federal service, a surviving spouse would receive a survivor annuity equal to 50 percent of the employee’s earned FERS benefit plus the lump sum. Learn more at www.opm.gov/retirement-services/csrs-information/survivors/ (CSRS) and www.opm.gov/retirement-services/fers-information/survivors/ (FERS).

At retirement, the “default” election for a married federal employee provides his or her spouse the maximum spousal survivor benefit. To elect a less-than-full benefit, the retiring employee must have the notarized consent of the spouse. Whether or not to take a reduced retirement to provide a survivor annuity is the most important issue an employee considers when planning for retirement.

To provide a survivor benefit, the retiree’s annuity is reduced. For example, let’s say the retirement benefit for an employee under CSRS is $60,000. To provide the maximum survivor benefit, that benefit would be reduced by $5,730, cutting the annual benefit to $54,270. The survivor annuity would be 55 percent of the retiree’s unreduced annuity of $60,000, or $33,000 annually. For an employee under FERS whose retirement benefit is $30,000, the reduction to provide the maximum survivor benefit would be $3,000, cutting the benefit to $27,000. The survivor annu-
ity would be 50 percent of the unreduced annuity of $30,000, or $15,000 annually.

For a spouse to continue health benefits under the Federal Employees Health Benefits Program (FEHBP) if the federal retiree dies first, the spouse must receive a survivor annuity in some amount. An employee can elect a partial survivor benefit to protect a surviving spouse’s eligibility to continue FEHBP coverage. A partial FERS survivor benefit provides 25 percent of the retirement benefit for a reduction of 5 percent. A partial CSRS survivor benefit can be made of any amount expressed as 55 percent of $______, up 55 percent of the full CSRS retirement benefit, which is the maximum.

Here are some additional things to know:
- Electing a survivor annuity reduces taxable retirement income.
- A retiree can elect to restore his or her retirement benefit to the unreduced amount if the covered spouse dies first.
- A survivor annuity (which is paid for the survivor’s lifetime) is adjusted by annual cost-of-living adjustments (COLAs).
- Retirees who wed after retirement must make a survivor election within two years of the date of the marriage.

3☆ Divorce
There was a time when former spouses of federal employees were left without any means of support following a divorce. Thanks in part to the tireless efforts of people such as Betty Villemarette, the former spouse of a CIA officer, Congress passed a series of laws in the 1980s that entitle former spouses to shares of lifetime benefits, survivor benefits and health insurance.

Today, when a federal employee or retiree divorces, the benefits payable to a former spouse are spelled out in the divorce decree or court order. Often, a former spouse will be awarded the “marital share” of the retirement and/or survivor benefits under CSRS or FERS. However, in some cases, they may get less than the marital share or even none of the retirement or survivor benefits. It depends on what the agreement says. If the agreement is silent on any of these benefits, the former spouse is not entitled to receive them.

Spouse-equity laws also allow a former husband or wife to obtain federal health benefits, although he or she is required to pay the full cost (there is no government contribution) and may also pay an administrative fee. Coverage as a family member is lost under the employee’s or retiree’s plan when the divorce is final. A former spouse is eligible to enroll in federal health benefits if:
- You were divorced during your spouse’s employment or receipt of annuity;
- You were covered as a family member under an FEHBP enrollment at least one day during the 18 months before your marriage ended; and
- You have not remarried before age 55.

4☆ Social Security
Even if you have never paid into Social Security yourself, you may be eligible for a Social Security benefit if your spouse is receiving or is eligible for Social Security retirement or disability benefits and you are at least age 62. If you are divorced but were married to your former spouse for at least 10 years, you also may be eligible for spousal benefits. To learn more about Social Security spousal benefits and the specific requirements, go to www.ssa.gov/planners/retire/applying6.html.

Here are a few things to know about your and your spouse’s Social Security:
- You generally will be entitled to the higher of the benefit that you earned for yourself or the one that your spouse earned for you.
- There are strategies available once you reach full retirement age (65 to 67, depending on your year of birth) that allow you to restrict your application to your spouse’s work record and delay your benefit to acquire additional credits that will increase your own earned amount. You also may file for your benefit and suspend receiving it so that your spouse may file on your work record. To learn more about claiming strategies, visit www.socialsecurity.gov/planners/retire/suspend.html.
- If your spouse is receiving a CSRS retirement in addition to his or her own Social Security
If your spouse is a FERS employee, the TSP is the key to retirement security.

The TSP is the key to retirement security. FERS employees get automatic agency contributions to their TSP account equal to 1 percent of salary. FERS employees also receive government matching contributions on the first 5 percent of pay that they voluntarily contribute to their TSP account. The first 3 percent is matched dollar for dollar; the next 2 percent is matched at 50 cents on the dollar. Contributions above 5 percent are not matched. The maximum employee contribution for 2015 is $18,000. Employees who are at least age 50 may make catch-up contributions of $6,000 (2015) in addition to their regular TSP contributions. Contributions to the traditional TSP are tax-deferred, and interest accrual is tax-deferred. Since 2012, employees may make after-tax contributions to a Roth TSP account with tax-free interest accumulation. The TSP offers a selection of individual and lifecycle funds with broad market diversification. Learn more about the TSP at www.tsp.gov.

When employees leave the government, they have access to the money invested in the TSP. Married FERS TSP participants must get spousal consent for loans and withdrawals. Married CSRS participants’ spouses are notified, but no prior consent is required. Spousal beneficiaries of TSP accounts normally will have beneficiary participant accounts established in their names. The advantages of such accounts include having access to the same investment and withdrawal options and low-cost administration fees available to their federal spouse. The downside is that upon your death, the balance in the account cannot be rolled over or transferred to another retirement account (or an inherited or beneficiary IRA). Learn more at www.tsp.gov/PDF/formspubs/tspbk33.pdf.

Federal Employees’ Group Life Insurance (FEGLI) covers federal employees and retirees and provides limited coverage for family members. Employees are automatically enrolled in basic insurance equal to their current salary rounded to the next $1,000 plus $2,000. There is extra coverage for younger
employees and in the event of the accidental death of an employee. Optional coverage provides additional insurance up to five times the basic amount. There is a “family” option covering the spouse and dependent children. Each multiple of family coverage is equal to $5,000 for a spouse and $2,500 for each eligible dependent child. Employees can enroll in optional life insurance when first hired, at the time of a life event (such as marriage, death of a family member, divorce, birth or the adoption of a child) or during an open enrollment. The last open enrollment was in 2004. To learn more about FEGLI, visit www.opm.gov/healthcare-insurance/life-insurance/.

8☆Long-term Care Insurance

Federal employees, retirees and qualified relatives have access to the Federal Long Term Care Insurance Program (FLTCIP). This benefit pays for long-term care services at home, in a nursing home or at an assisted living facility, and at adult day care facilities. If you have recently married a federal employee, you can enroll under an abbreviated underwriting process within 60 days of marriage. Spouses of employees and retirees may enroll at any time, but the cost is based on your age at the time of enrollment, and the underwriting requirements restrict enrollment. This coverage continues for life once you are enrolled as long as the premiums are paid or until the benefits are exhausted. To learn more about FLTCIP, visit www.ltcfeds.com.

9☆Medicare

You automatically will be enrolled in Medicare Parts A and B if you are receiving Social Security benefits by the time you are age 65. If you are not automatically enrolled at 65, no one is going to knock on your door. To enroll in Medicare at age 65, you can call (800-772-1213), email (www.ssa.gov) or go to your local Social Security office to enroll starting three months before you turn 65. Your “initial enrollment period” lasts for seven months. If you miss that, you may sign up during an annual “general enrollment period,” January-March. There is no premium for Medicare Part A, so you should sign up during your initial enrollment period. You may want to consider delaying enrollment in Medicare Part B because there is a premium of $104.90 (2015) per month (more for higher incomes). However, there is a late enrollment fee of 10 percent for every 12 months you could have had Part B but didn’t enroll. Some people can enroll after age 65 without a late penalty because they are covered by a group health plan through a current employer (theirs or their spouse’s). They have a “special enrollment period” for eight months after the employment ends.

Most federal retirees and spouses of federal retirees who are ages 65 and older enroll in Medicare Parts A and B while continuing enrollment in the FEHBP. Section 9 of FEHBP plan brochures provides information about coordinating Medicare coverage. FEHBP plan brochures are available at www.opm.gov/healthcare-insurance/healthcare/plan-information/. Learn more at www.medicare.gov.

10☆Beneficiary Designations

Employees and retirees may choose their beneficiaries. But according to OPM, in about half of all cases involving distributions of lump-sum death benefits, no valid beneficiary designation is on file. For CSRS, FERS, TSP and unpaid compensation benefits (such as an employee’s last paycheck or unused annual leave), payments are made in the following order of precedence if there is no valid designation: widow or widower; child or children; parents; executor or administrator of the estate; next of kin.

FEGLI rules are similar, except where there is a valid court order or the employee has assigned his or her life insurance to someone else, giving them ownership of the coverage.

Do you know where your spouse keeps copies of his or her beneficiary designations? —TAMMY FLANAGAN IS SENIOR BENEFITS DIRECTOR AT THE NATIONAL INSTITUTE OF TRANSITION PLANNING, INC., AND MANAGER OF TAMMY FLANAGAN, LLC. AS A FEDERAL RETIREMENT BENEFITS SUBJECT MATTER EXPERT, SHE CONDUCTS TRAINING AT FEDERAL AGENCIES, WRITES A WEEKLY COLUMN CALLED “RETIREMENT PLANNING” FOR WWW.GOVEXEC.COM AND IS A FREQUENT GUEST ON FEDERAL NEWS RADIO.
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