

LABOR RELATIONS



January 24, 2018

Mr. Paul V. Hogrogian
National President
National Postal Mail Handlers' Union
1101 Connecticut Avenue, NW
Washington, DC 20036-4304

Certified Mail Tracking Number:
7016 1970 0000 3442 6866

Faxed

Dear Paul:

In our January 17 meeting concerning the Postal Service's decision to offer Voluntary Early Retirement (VER) to eligible Mail Handlers, you requested information concerning how an employee's decision to retire under the VER would impact his/her retirement annuity and Thrift Savings Plan account.

We have enclosed a document containing information responsive to your request.

Please contact Noah Meyers at extension [REDACTED] if you have questions concerning this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan S. Moore".

Alan S. Moore
Manager
Labor Relations Policies and Programs

Enclosure

HOW WILL VOLUNTARY EARLY RETIREMENT AFFECT AN EMPLOYEE'S ANNUITY?

CSRS Annuity Calculation

The Civil Service Retirement System annuity calculation is based on your:

- Creditable¹ years of service
- Average highest three (3) consecutive years of salary
- A service factor

CSRS provides a service factor of 1.5% per year for the first 5 years of service, 1.75% per year for years between 6 – 10 years of service, and 2% per year for service years 11 and above. Below is a sample calculation of a CSRS annuity.

Example: John Doe worked 35 years with the Postal Service and his highest three consecutive years salary was \$58,000 in 2015, \$59,000 in 2016, and \$60,000 in 2017.

Calculating Annuity Percentage

Service	Years		Service Factor		Annuity %
First 5 years	5	X	1.5%	=	7.5%
6-10 years	5	X	1.75%	=	8.75%
11+ years	25	x	2%	=	50%
Total					66.25%

Annuity Estimate

John's unreduced estimated annual annuity is 66.25% of \$59,000 (average of high three consecutive years of salary) = **\$39,087.50 or \$3,257.29 monthly**

Note that this estimate does not include any additional service credit that the employee may be eligible to receive for unused Sick Leave. In addition, the estimate assumes that John did not have any years in which he had more than 6 months of LWOP time.

CSRS Reduction

If you are under age 55, your annuity will be reduced at the rate of two percent (2%) for each year (or by 1/6th of one (1%) percent for each full month) that you are under age 55. This reduction is permanent — your annuity is not recomputed when you reach age 55.

FERS Annuity Calculation

Similar to CSRS, your FERS annuity calculation is based on your:

- Creditable¹ years of service
- Average highest three (3) consecutive years of salary
- A service factor

FERS provides a service factor of 1% (or 1.1% if age 62 or older) per year for each year of creditable service. Below are sample calculations for an employee retiring at less than 62 years of age.

Jane Doe has worked 35 years with the Postal Service and her highest three consecutive years salary was \$58,000 in 2015, \$59,000 in 2016, and \$60,000 in 2017.

Calculating Annuity Percentage

Service	Years		Service Factor		Annuity %
All creditable service	35	X	1%	=	35%

Annuity Estimate

Jane's estimated annual annuity is 35% of \$59,000 (average of high three consecutive years of salary) = **\$20,650 or \$1,720.83 monthly**

If Jane is age 62+, her FERS service factor would be 1.1%, making her annuity percentage 38.5% and her estimated annual annuity = **\$22,715 or \$1,892.91 monthly**

Note that this estimate does not include any additional service credit that the employee may be eligible to receive for unused Sick Leave. In addition, the estimate assumes that John did not have any years in which he had more than 6 months of LWOP time.

FERS Annuity Supplement

The FERS Annuity Supplement is paid by the U.S. Office of Personnel Management and estimates the Social Security benefit earned by an employee's FERS covered years of service. It is paid until an employee becomes eligible for a Social Security benefit at age 62. However, under VER, this supplement is payable only if an employee has reached their Minimum Retirement Age (MRA) - the earliest optional retirement age, which ranges from 55 to 57, depending upon their year of birth. If an employee is retiring at less than their MRA, the supplement will not be paid until they reach their MRA.

HOW WILL VOLUNTARY EARLY RETIREMENT AFFECT MY TSP?

If an employee retires before the year that they reach age 55, then any amount that they withdraw from their TSP account before they reach age 59½ is subject to an early withdrawal penalty tax of ten percent (10%). However, this penalty tax does not apply to amounts received under certain withdrawal options, such as purchasing an annuity or rollover to an Individual Retirement Arrangement (IRA).

¹ Creditable service only includes time that you were in a career covered position.