Federal Employees

FERS Retirement Benefits — Planning Guide

Annuity calculation, retirement eligibility, FERS supplement, and planning strategies

Philip Searcy, CRPC™
Financial Advisor
(256) 564-6465
Philip.searcy@wellsfargoadvisors.com
fa.wellsfargoadvisors.com/philip-searcy

Educational Use Only. This is a general overview of the Federal Employees Retirement System (FERS). It is not personalized advice. Your official benefits information is available at opm.gov and through your agency HR office.

Although the information contained herein has been obtained from sources that we believe to be reliable, we cannot guarantee its accuracy or completeness. Plan information is subject to change. Your official annuity estimate will be produced by OPM upon retirement processing.

THE FERS ANNUITY FORMULA

High-3 Average Salary x Years of Creditable Service x Multiplier = Annual Annuity

High-3 Average Salary	The **average of your highest 36 consecutive months of basic pay.**[1] Usually your final three years, but can be any consecutive 36-month period if pay was higher earlier.[1] **Includes:** Base salary and locality pay. **Does NOT include:** Overtime, bonuses, awards, cash incentives, or other premium payments.[1] **Key insight:** A raise in your final months has limited impact — those months are only a fraction of the 36-month average.[1]
Years of Creditable Service	All time in FERS-covered positions where retirement deductions were withheld.[1] Also includes: Unused sick leave — converted to service credit at retirement (2,087 hours = 1 year)[3] Military service buyback — prior military service if you completed the required deposit[3] **Note:** Sick leave increases your annuity but does NOT count toward retirement eligibility.[1][4]
The Multiplier 1.0% vs. 1.1%	**Standard: 1.0%** per year of service — applies in most cases.[1] **Enhanced: 1.1%** — only if you retire at **age 62 or later with at least 20 years of service.**[1] That extra 0.1% adds 10% more pension income for life. On a $30,000 annuity that is $3,000/year more — potentially $75,000+ over a 25-year retirement.[3]

Illustrative Examples (Educational Only — Actual Results Will Vary)

Example 1: Retire at MRA (age 57), 30 years, $90,000 High-3
$90,000 x 30 x 1.0% = $27,000/year ($2,250/month) — unreduced annuity

Example 2: Same employee waits until age 62
$90,000 x 30 x 1.1% = $29,700/year ($2,475/month) — 10% more income for life

Example 3: Age 62, 30 years + 6 months sick leave, $90,000 High-3
$90,000 x 30.5 x 1.1% = $30,195/year — sick leave adds $495/year for life

RETIREMENT ELIGIBILITY — YOUR OPTIONS

Minimum Retirement Age (MRA) by Birth Year:[1][6]

Birth Year	MRA	Birth Year	MRA
Before 1948	55	1965	56 + 2 months
1948	55 + 2 months	1966	56 + 4 months
1949	55 + 4 months	1967	56 + 6 months
1950	55 + 6 months	1968	56 + 8 months
1951	55 + 8 months	1969	56 + 10 months
1952	55 + 10 months	1970 and after	57
1953 to 1964	56		

Immediate Unreduced Annuity Eligibility	**MRA + 30 years** — the most common path. Full pension plus FERS Supplement begins immediately.[1][5] **Age 60 + 20 years** — full pension plus FERS Supplement.[1][5] **Age 62 + 5 years** — eligible but no FERS Supplement.[1][5] Any age + 25 years — Special Provisions employees only (law enforcement, firefighters, ATC).[5]
MRA + 10 (Early Retirement Option)	Retire at MRA with as few as **10 years of service,** but annuity is **permanently reduced 5% per year** you are under age 62 when you begin collecting.[1][2] Example: MRA of 57, retire with 15 years, collect immediately — 5 years x 5% = **25% permanent reduction.** **No FERS Supplement** is payable under MRA+10.[4] [5]
Postponed Retirement (MRA+10 Strategy)	If eligible for MRA+10, you may **leave federal service but delay collecting your annuity** to reduce or eliminate the age reduction.[2][5] Waiting until age 62 eliminates the reduction entirely. Age 60 reduces the penalty to 10%.[2] **Key trade-off:** FEHB and FEGLI **terminate when you leave,** but may be **reinstated** when your postponed annuity begins — if you met eligibility to carry coverage into retirement.[2][5]
Deferred Retirement	Leave with **5+ years** before meeting MRA requirements. Pension preserved and begins at qualifying age. FEHB coverage terminates permanently upon separation and **cannot be reinstated** — the critical difference from postponed retirement.[2][4]
VERA (Early Voluntary Retirement)	During authorized agency downsizings, OPM may offer VERA — retirement at **age 50 with 20 years** or **any age with 25 years.** Subject to agency approval and availability.[4][5]

THE FERS SUPPLEMENT — YOUR SOCIAL SECURITY BRIDGE

What It Is	The FERS Supplement (Special Retirement Supplement or SRS) is a **temporary monthly payment** approximating the Social Security benefit you earned during your federal service years.[4][5] It bridges the income gap between your retirement date and age 62 when Social Security can begin.
Who Gets It	Available to employees who retire on an **immediate, unreduced annuity before age 62:**[4][5] MRA + 30 years of service

	Age 60 + 20 years of service Not available under MRA+10 or deferred retirement.
The Formula	(Years of FERS Service / 40) x Estimated Social Security Benefit at Age 62[4][5] Example: 30 years FERS service, estimated SS benefit of $1,800/month at age 62: (30 / 40) x $1,800 = **$1,350/month** in FERS Supplement
Earnings Test	The supplement is **reduced if you work and earn wages after retirement.**[4] The 2026 earnings limit is **$24,480.**[4] For every $2 you earn above that, the supplement is reduced by $1. Investment income, rental income, and pension payments do NOT count.
When It Ends	The FERS Supplement **ends at age 62** — automatically — regardless of when you claim Social Security.[4][5] It does not receive cost-of-living adjustments (COLAs).

FACTORS THAT REDUCE YOUR ANNUITY

MRA+10 Age Reduction	**5% per year** (5/12 of 1% per month) for each year under age 62 when you begin collecting — unless you postpone. This reduction is **permanent**.[1][2]
Survivor Benefit Election	A **full survivor benefit** (spouse receives **50% of your annuity** after your death) reduces your annuity by **10%.** A **partial benefit** (25% of your annuity) reduces it by **5%.** No survivor benefit means no pension for your spouse after your death and requires spousal consent.[1][5]
Part-Time Service	Your annuity is **prorated** based on actual hours worked compared to a full-time schedule if you had extended part-time periods during your career.[1][4]
COLA Timing	FERS retirees under age 62 generally do **not** receive annual cost-of-living adjustments until age 62. A key difference from CSRS retirees who receive COLAs at any age.[1][5]

THE VALUE OF STAYING LONGER

MRA vs. Age 62	Retiring at MRA (age 57 for most) versus age 62 means 5 fewer years of annuity but **10% more pension for life** from the 1.1% multiplier. On a $30,000 annuity that is $3,000/year more — compounding over 25+ years.[1][3]
Each Additional Year	Every additional year of service adds approximately **1% of your High-3** to your annual pension for life. One extra year at a $90,000 High-3 = $900/year in additional income, every year, for life.[1]
Sick Leave Conversion	Unused sick leave is converted to additional service credit at retirement. **2,087 hours = 1 full year.** Protecting your sick leave balance as you approach retirement is a no-cost way to increase your pension.[3]
Military Buyback	Prior military service can count toward FERS creditable service if you make the required deposit. This increases both your annuity and potentially your eligibility date. Deposits must generally be made before retirement and accrue interest the longer you wait.[3][4]

COORDINATING YOUR THREE INCOME SOURCES

FERS Pension	Guaranteed monthly income for life, adjusted for COLAs after age 62. Typically covers roughly **30-40% of pre-retirement income** for a full career.[7] The anchor of your retirement plan.[1]

Social Security	As a FERS employee you are fully eligible for Social Security. Delaying beyond age 62 increases your benefit approximately **8% per year** up to age 70. Coordinate timing with your pension and TSP withdrawals.[9]
Thrift Savings Plan (TSP)	Your largest variable asset. Most planners target **70-80% income replacement** in retirement; your FERS pension alone rarely achieves this, making TSP contributions critical.[1]
Tax Planning Strategy	With pension, Social Security, and TSP stacking in retirement, having **Roth TSP balances** provides tax-free income that can prevent bracket creep. The gap between retirement and age 73 (when RMDs begin) is often the best window for Roth conversions.[6]

COMMON ACTIONS TO REVIEW WITH YOUR ADVISOR

- ☐ **Confirm your MRA** based on your year of birth — it determines when you can first retire[1]
- ☐ Request your official **High-3 estimate** from your agency HR office or through myPay
- ☐ **Model the 1.1% multiplier breakpoint** — calculate whether working to age 62 adds enough lifetime income to justify the delay[3]
- ☐ Evaluate your **unused sick leave balance** and project the additional service credit at retirement[3]
- ☐ Consider a **military service buyback** if you have prior active-duty service — earlier deposits limit interest accrual.[3][4]
- ☐ Understand the **MRA+10 age reduction** and whether postponing your annuity start date makes sense[2]
- ☐ Evaluate **postponed vs. deferred retirement** if leaving before MRA — understand the FEHB implications[2][5]
- ☐ **Model the FERS Supplement** — estimate bridge income and plan for the earnings test if you will work after retirement[4][5]
- ☐ Review your **survivor benefit election** — a 10% annuity reduction to protect your spouse is a major financial decision[1][5]
- ☐ **Coordinate Social Security timing** with your FERS pension and TSP withdrawals to manage lifetime tax exposure[6][9]
- ☐ Ensure **TSP contributions are maximized** — your FERS pension alone typically covers only 30-40% of pre-retirement income[1]

Sources

[1] OPM — FERS Computation (Official Formula, High-3, Multipliers) https://www.opm.gov/retirement-center/fers-information/computation/

[2] FederalRetirement.net — FERS Annuity (MRA+10, Postponed vs. Deferred) https://federalretirement.net/fers-annuity/

[3] Capital Wealth — FERS Retirement Calculator 2026 https://www.capitalwealth.com/services/federal-benefits/fers-calculator/

[4] FedTools — FERS Retirement Calculator (Supplement, Postponed vs. Deferred) https://www.fedtools.com/calculators/fers-retirement-calculator

[5] FederalRetirement.net — FERS Annuity Full Detail (Survivor Benefits, COLA) https://www.federalretirement.net/fers_annuity.htm

[6] Federal News Network — 2026 Roth and TSP Changes https://federalnewsnetwork.com/federal-insights/2026/06/understanding-the-2026-roth-and-tsp-changes-what-federal-employees-need-to-know-now/

[7] FERS & CSRS Calculator: See Your Annuity Estimate! - FEDweek

[8] Calculate Your FERS Pension: Free Federal Retirement Calculator | Serving Those Who Serve

[9] https://www.ssa.gov/benefits/retirement/planner/delayret.html