Federal Pay and Benefits 101

Basic Facts You Need to Know

A Newcomer's Guide to . . .

- Your Pay
- Other Forms of Compensation
- Leave
- Health Insurance
- Life Insurance
- Long-Term Care Insurance
- Retirement
- The Thrift Savings Plan

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YOUR PAY

The general schedule salary system for white-collar federal employees is what is generally referred to the "civil service" pay system even though it now covers only just more than half of the workforce. The wage system for blue-collar employees is the next largest while numerous other special salary systems make up the rest.

The GS system is divided into 15 grades, each of which has 10 steps. Entry-level hiring into a grade normally is done at step 1 of a grade, although various personnel flexibilities allow hiring at different steps. The grade level of an initial hire depends largely on the occupation, as does the career progression up through the grades.

The federal wage system—sometimes called the wage grade or prevailing rate system—covers federal employees paid by the hour. The aim is to make sure that federal trade, craft, and laboring employees in a local wage area who do the same kind of work get the same rate of pay. The typical wage schedules consist of 15 grades, covering most non-supervisory employees. Schedules for supervisors and leaders are based on the nonsupervisory schedules, but are separate from them. In each pay grade, there are five step rates—each 4 percent apart—with the second step based on the going rate in private industry.

Pay under both systems is locality based. For GS employees, there are about 30 metropolitan locality pay areas (the exact number can vary year to year) and a catchall "rest of the U.S." locality for everywhere else within the contiguous 48 states. There are about 130 wage grade locality areas, with the exact number again varying somewhat. In each case, raises are set by local labor market conditions, subject to the availability of funds appropriated by Congress.

While the wage grade pay system has been locality based for many years, the locality system for GS employees began only in the early 1990s. Although never funded to the extent originally envisioned, it has resulted in variation in pay for equally graded jobs among the locality pay areas. Pay in the highest-paid locality, San Francisco, now exceeds the pay in the lowest-paid locality, the "rest of the U.S.," by about $1,500 at the lowest level, GS-1, step 1, and by about $10,000 at the highest, GS-15, step 10.

Locality pay is based on where you work, not where you live. It counts toward accumulation of retirement benefits, life insurance coverage, Thrift Savings Plan investment levels and most other benefits based on salary.

Some federal agencies or facilities operate under special pay rules that allow management greater leeway in setting salaries. Many of these involve what is called pay banding or broadbanding, in which the traditional grades are combined. Some of these alternative pay systems operate under "demonstration project" authority—that is, as a test project—and in other cases the authority is permanent.

There are also numerous pay flexibilities, many of them available at the agency's discretion, that can be used in exceptional circumstances such as emergency situations or where an agency has a compelling need to recruit or retain employees with certain skills.

While pay raises often are referred to as cost-of-living raises, that term is incorrect. Retirees get cost-of-living allowances designed to keep their annuities apace with inflation. Active employees get raises, which are set annually in the congressional budget process.

For general schedule employees, the raises normally consist of two parts—an across the board increase and locality pay. The proportion of each is determined annually.

No such distinction is made for wage grade employees. Wage grade raises typically are set at the amount determined to be appropriate in a locality but capped at the average GS amount.

GS raises are paid in the first pay period of January (usually mid to late month, depending on an agency's pay cycle) and wage grade raises are paid at differing times of the year in different areas.

Special cost-of-living allowances apply to employees working in non-foreign areas outside the 48 contiguous states. These can range up to 25 percent of salary.

Another major pay system is the Senior Executive Service (SES), a corps of men and women who administer public programs at the top levels of the government. Positions are primarily managerial and supervisory. The SES has six pay grades, with some members getting recruitment and performance incentive payments.

Separate salary systems are maintained for the U.S. Postal Service, the foreign service, law enforcement officers, most medical personnel of the Veterans Health Administration and high-level officials including administrative law judges, Board of Contract Appeal members, and certain senior scientific, technical and professional employees.

Presidential appointees are paid under the Executive Schedule system while federal judges and members of Congress also have separate pay schedules, linked to the executive schedule.

Most federal employees are paid biweekly. Pay cycles vary somewhat from place to place.

Flexible Spending Accounts

Flexible spending accounts, or FSAs, authorized in late 2002 to be effective in July 2003, allow employees to use pre-tax payroll dollars to pay for out-of-pocket medical expenses as well as child and elder care expenses. The accounts will be funded with biweekly payroll deductions and there will be no government contribution.

The program will have two types of FSAs, with employees having the choice of participating in either, both or neither. One, directed to medical costs, will allow employees to set aside up to $3,000 per year (the amount may change) to pay costs such as copayments and deductibles as well as costs that may not be covered by health insurance such as dental and eye care. In the other, directed to dependent care, they will be able to designate up to $5,000 a year for dependents listed on their federal income tax forms for elder care costs and for child care costs for children up to age 13.

Money put into such accounts is “use or lose”—that is, it cannot be rolled over from one tax year to another. However, the full amount designated for a year is available for use from the outset, and if employees leave employment before paying in as much in payroll withholding as they drew out, they need not make up the difference.

Following an initial open season in spring 2003 for employees to elect contributions for the last six months of 2003, annual open seasons will be conducted running concurrent with the health insurance open season each autumn, with FSA elections effective for the following calendar year.

FSA accounts are separate from the “premium conversion” arrangement under which employees may pay their health insurance premiums with pre-tax money (see Health Insurance). Participation or lack of participation in one does not affect an individual’s status regarding the other.

OTHER FORMS OF COMPENSATION

Awards—Agencies have various award systems for their employees as recognition for ongoing good performance, suggestions, inventions or for special contributions to the agency’s mission. Generally these awards range up to $10,000, although awards of up to $25,000 are allowed with presidential approval.

Some agencies also offer “gainsharing” awards, which go to members of a group who have improved the efficiency of a work unit. General schedule employees also may be eligible for quality step increases of one step, based on performance.

Career senior executives are eligible for cash awards as well as performance bonuses of up to 20 percent of base pay.

Noncash awards such as certificates and similar forms of recognition also can be granted.

Bonuses—Agencies may target groups of positions that have been difficult to fill in the past or that may be difficult to fill in the future and may make the required written determination to offer a recruitment bonus.

Relocation bonuses also may be paid. Decisions normally are made on a case-by-case basis but there are some policies covering entire groups as well.

Injury Compensation—The Federal Employees Compensation Act (FECA) provides workers' compensation benefits to federal employees who sustain job-related injuries or illnesses. The law also guarantees employees certain job rights upon recovery. Upon their return to work, employees are treated as though they had never left for purposes of rights and benefits based upon length of service.

FECA also provides for the payment of benefits to dependents if the injury or disease causes the employee's death. There are also "schedule" awards for injuries that cause the loss or incapacity of a bodily member.

Overtime—The federal government complies with the Fair Labor Standards Act, which provides for minimum standards for both wages and overtime entitlement, and spells out administrative procedures by which covered work time must be compensated. Under the law, overtime is computed at $1\frac{1}{2}$ times the rate of basic pay for work exceeding eight hours a day or 40 hours a week, up to the rate of GS-10, step 1. That rate acts as an overtime cap for employees paid above that level; thus, for highly graded employees, actual overtime pay received could be less than the $1\frac{1}{2}$ rate. Certain law enforcement positions, however, are guaranteed an overtime rate of at least $1\frac{1}{2}$ times the employee's own hourly rate regardless of the cap.

To qualify for overtime, working hours must be officially ordered and approved by the supervisor.

A job or an entire geographic area may be exempt or nonexempt. An FLSA exempt employee is one who is not covered by the overtime provisions of the Act; a nonexempt employee is one who is covered.

Premium Pay—Premium pay policies include:

- Premium pay of between 5 and 25 percent of basic pay, up to the minimum rate of pay for GS-10 in that locality, is payable when the position requires that the employee regularly remain at, or within the confines of, a duty station. The rates payable vary according to the duty schedules.
- A full-time employee is entitled to pay at his or her rate of basic pay plus premium pay at a rate equal to 25 percent of basic pay for each hour of Sunday work and each hour that would be Sunday work but for the placement of the employee in paid leave or excused absence status.
- For general schedule and certain other categories of employees, night pay is a 10 percent differential paid to an employee for regularly scheduled work performed between 6 p.m. and 6 a.m. For wage system employees, the differential is $7\frac{1}{2}$ percent for work on a second shift (defined as the majority of hours falling between 3 p.m. and midnight) and 10 percent for regularly scheduled work on the third shift (defined as the majority of hours falling between 11 p.m. and 8 a.m.).
- An employee who performs holiday work is entitled to pay at his or her rate of basic pay plus premium pay at a rate equal to his or her rate of basic pay for that holiday work not in excess of eight hours. An employee is entitled to pay for overtime work on a holiday at the same rate as overtime work on other days.
- General schedule employees may be eligible for hazardous duty pay of up to 25 percent of basic pay when the hazardous duty or physical hardship has not been taken into account—that is, the knowledge, skills, and abilities required to perform the duty are not considered—in the classification of the position. (The counterpart benefit for wage system employees is environmental differential pay.)
- Environmental differential pay is for wage grade employees the counterpart to hazardous duty pay for general schedule employees. Differentials are paid according to schedules that vary the payment amounts according to the risk involved in the job or the degree of exposure to a hazard.
- Availability pay is paid to federal law enforcement officers (LEOs) who are criminal investigators. Due to the nature of their work, criminal investigators are required to work, or be available to work, substantial amounts of unscheduled duty.

Availability pay is generally an entitlement that an agency must provide if the required conditions are met, but is optional in offices of inspectors general that employ fewer than five criminal investigators. Availability pay is fixed at 25 percent of a criminal investigator's rate of basic pay.

Retention Allowances—Agencies may authorize a retention allowance of up to 10 percent basic pay (up to 25 percent with special approval) for a group of employees based on a determination that the employees have unusually high or unique qualifications, or the agency has a special need for the employees' services that makes it essential to retain the employees in that category, and that it is reasonable to presume that there is a high risk that a significant number of employees in the targeted category are likely to leave federal service in the absence of the allowance.

Special Rates—Special rate salaries are paid in occupations and in locations that are deemed highly competitive and difficult for the government to recruit and retain employees. Most special rate positions are in engineering, computers and similar technical fields, although there is no restriction by type of occupation. For example, secretarial positions in some localities also are under the special rates system. Also, in some cases special rate pay is paid to all occupations in a remote location, or in positions with difficult or dangerous working conditions. Special rate adjustments generally amount to several percent of salary.

Within-Grade Increases—General schedule employees are eligible for within-grade increases, unless they are denied for poor performance, after the following waiting periods: 52 weeks for advancement to steps 2-4; 104 weeks for advancement to steps 5-7; and 156 weeks for advancement to steps 8-10. Various special pay authorities allow agencies flexibility in assigning step levels to employees. Also, a "quality step increase" of one step can be awarded under some agency performance incentive programs.

LEAVE

Annual Leave—Federal employees earn 13 days of annual leave each leave year if they have less than three years of service, 20 days if they have three years but less than 15 years of service, and 26 days if they have 15 years or more of service. For part-time employees, the accumulation rates by periods of service are one hour for each 20 in pay status, one hour for each 13 and one hour for each 10, respectively.

Most federal employees may carry up to 30 days of annual leave from one leave year to the next. Amounts above that limit are subject to "use it or lose it" except that if they were unable to use it because of illness or needs of the agency, the excess amount may be restored. Upon separation from federal service, employees receive a lump-sum payment for unused annual leave to their credit.

Sick Leave—Sick leave may be used when you: receive medical, dental, or optical examination or treatment; are incapacitated by physical or mental illness, injury, pregnancy, or childbirth; would, because of exposure to a communicable disease, jeopardize the health of others by your presence on the job; or must be absent from work for adoption-related activities.

In addition, you may use a limited amount of sick leave to: provide care for a family member as the result of physical or mental illness, injury, pregnancy, childbirth, or medical, dental, or optical examination or treatment; or make arrangements necessitated by the death of a family member or attend the funeral of a family member.

Federal employees are entitled to use sick leave for purposes related to the adoption of a child.

For full-time employees, the sick leave accrual rate is 13 days a year; for part-time employees, it's one hour for each 20 in pay status. There is no limit on how much can be accumulated.

No lump-sum payment is made at retirement for unused sick leave. Employees under the CSRS retirement system may convert unused sick leave at retirement into additional service credit time. This option is not available for FERS employees, except that those who have prior CSRS service may credit toward the CSRS portion of a mixed FERS-CSRS annuity the amount accumulated and unused during their CSRS service, or the amount unused at their retirement, whichever is less.

Miscellaneous Leave Policies—Other forms of time off include:

- Compensatory time off with pay in lieu of overtime pay for irregular or occasional overtime work, or when permitted under agency flexible work schedule programs.
- Excused absences without loss of pay and without charge to leave. Ordinarily, excused absences are authorized on an individual basis, except where an installation is closed or a group of employees is excused from work for certain purposes.
- Family and medical leave, entitling employees to a total of 12 administrative work weeks of leave without pay during any 12-month period for: the birth of a son or daughter and care of the newborn; the placement of a son or daughter with you for adoption or foster care; the care of your spouse, son, daughter, or parent with a serious health condition; and your own serious health condition that makes you unable to perform the duties of your position.
- Seven days of paid leave each calendar year (in addition to annual or sick leave) to serve as a bone-marrow donor and 30 days to serve as an organ donor.
- Time off as a form of performance recognition.
- When the federal government announces an "unscheduled leave policy" due to adverse weather conditions, agencies have discretion to grant excused absence to employees who arrive late for work. Under those circumstances, employees not designated as "emergency employees" may take annual leave or leave without pay without the prior approval of their supervisors.
- Leave sharing and/or leave bank arrangements allow federal employees to donate annual leave to be used by others who have exhausted their sick and annual leave due to personal or family medical crises or other emergencies.
- Leave without pay may be used instead of paid leave for various purposes with supervisory approval. Extended periods of leave without pay may affect health and retirement benefits, future pay adjustments, and leave accrual, however.
- Military leave of up to 15 days is available for federal employees who are reservists of the armed forces or members of the National Guard for use when called to active duty training or active duty. Employees are eligible for both their civilian and military pay during this period. Up to 15 days may be carried from one year to another.
- To the extent that modifications in work schedules do not interfere with the efficient accomplishment of an agency's mission, an employee whose personal religious beliefs require that the employee abstain from work at certain times of the work day or work week must be permitted to work alternative work hours so that the employee can meet the religious obligation. The hours worked in lieu of the normal work schedule do not create any entitlement to premium pay (including overtime pay).

Holidays—Federal law establishes the following public holidays for federal employees. Most federal employees work on a Monday through Friday schedule. For these employees, when a holiday falls on a nonwork day—Saturday or Sunday—the holiday usually is observed on Monday (if the holiday falls on Sunday) or Friday (if the holiday falls on Saturday).

- New Years Day—January 1
- Birthday of Martin Luther King, Jr.—Third Monday in January
- Presidents Day—Third Monday in February
- Memorial Day—Last Monday in May
- Independence Day—July 4
- Labor Day—First Monday in September
- Columbus Day—Second Monday in October
- Veterans Day—November 11
- Thanksgiving Day—Fourth Thursday in November
- Christmas Day—December 25

HEALTH INSURANCE

The Federal Employees Health Benefits (FEHB) program is designed to help protect you and eligible family members from the expenses of illness and accident. Unlike many private sector health benefit plans, it provides coverage without physical examination, places no restrictions on age or physical condition, offers a wide range of plans to choose from, cannot be canceled by the plan in which you enroll, and applies to retirees.

There are two types of enrollment in each FEHB plan: self only, which provides benefits only to you; and self and family, providing benefits to you and all eligible family members. A self and family enrollment covers you, your spouse and your unmarried dependent children under age 22. Your monthly premium for a self and family enrollment is the same amount regardless of the number of family members covered by the enrollment. If a family member loses eligibility for coverage, your premium is not reduced. However, if you become the only person eligible for coverage, you should contact OPM to change your enrollment to the less expensive self-only coverage.

You can choose from among managed fee for service (FFS) plans, regardless of where you live, or plans offering a point of service (POS) product and health maintenance organizations (HMO) if you live (or sometimes if you work) within the area serviced by the plan. You will find managed care features in all the plans. Common features of managed care are preapproval of hospital stays, the use of primary care providers as "gatekeepers" to coordinate your medical care, and networks of physicians and other providers.

In prepaid plans, your covered health services are pre-funded by your premium and the government's contribution toward the cost of your health insurance. Generally you must use specified plan physicians, hospitals and other providers at designated locations, although care elsewhere may be available after a referral.

FFS plans reimburse you or your physician or hospital for covered services rather than provide or arrange for services as prepaid plans do. FFS plans allow you to choose your own physicians, hospitals and other health care providers without a referral. Some are open to all enrollees, but others require that you join the organization that sponsors the plan. Some plans limit enrollment to certain employee groups.

A plan offering a point of service product has rules about doctor choice and access to specialists, but you can choose any doctor you like and see specialists without referrals if you agree to pay more. Membership requirements and/or limitations also apply to any POS product the FFS plan may be offering.

Each fall the government holds an "open season" in which you may change plans or change levels of coverage if you wish. Changes are effective on the following January 1. Changes in enrollment are also allowed for various life events such as the birth of a child, a marriage or divorce, subject to certain restrictions.

Premium Conversion

The FEHB allows you to pay your premiums with pre-tax money through an arrangement known as "premium conversion." This is automatic unless you choose not to do it and it saves the typical enrollee at least several hundred dollars a year. Although the vast majority of eligible employees take advantage of premium conversion, there are some specialized situations in which it might make sense not to accept it. Check with your personnel office for the details.

Only active employees, and not retirees, may participate in premium conversion.

Continued Coverage

The FEHB offers continued coverage:

- for you and your family when you retire from federal service (normally you need to be covered in the FEHB program for the five years before you retire);
- for your former spouse if you divorce and he or she has a qualifying court order (see your human resource office for more information);
- for your family if you die; or
- for you and your family when you move, transfer, go on leave without pay, or enter military service (certain rules about coverage and premium amounts apply; see your human resource office).

LIFE INSURANCE

The Federal Employees' Group Life Insurance (FEGLI) program provides group term life insurance. In most cases, employees are automatically covered by Basic life insurance. In addition to the Basic, there are three forms of Optional insurance that you can elect. You must have Basic insurance in order to elect any of the options. Unlike Basic, enrollment in Optional insurance is not automatic—you must take action to elect the options.

Unlike the federal health benefits program, which has annual opportunities to join or change coverage levels, FEGLI open seasons are rare; elections of coverage generally must be made when first offered. However, like the health benefits program, life insurance coverage can continue into retirement.

The cost of Basic insurance is shared between you and the government. You pay $^2/_3$ of the total cost and the government pays $^1/_3$. Your age does not affect the cost of Basic insurance. You pay the full cost of Optional insurance; the cost of Optional insurance depends on your age. For insurance withholding purposes, the government assumes you reach an age in your first pay period that starts after your birthday.

Most federal employees, including part-time employees, are eligible to enroll. Basic life insurance coverage is effective on the first day you enter in a pay and duty status unless you waive this coverage before the end of your first pay period. You may waive Basic at any time. Optional insurance generally must be elected within 31 days of an appointment.

As you examine the tables below, note that most federal employees are paid biweekly. Although some employees are paid monthly, the monthly rates primarily apply to those carrying coverage into retirement. The rates are those effective January 1, 2003.

Basic Insurance

Basic provides term life insurance at group rates. Your Basic Insurance Amount (BIA) is equal to your annual basic pay rounded up to the next $1,000 plus $2,000. Effective January 1, 2003, the cost is $0.15 per $1,000 of coverage per biweekly pay period ($0.325 monthly).

FEGLI also offers an extra benefit to employees under age 45, at no additional cost. This doubles the amount of life insurance payable if you are age 35 or younger. Beginning on your 36th birthday, the extra benefit decreases 10 percent each year until, at age 45, there is no extra benefit.

Option A–Standard

You may elect Option A–Standard Life Insurance in the amount of $10,000.

The cost is shown in the table below:

	Withholding for $10,000 Insurance	
Your Age Group	**Biweekly**	**Monthly**
Under 35	$0.30	$0.65
35 through 39	$0.40	$0.87
40 through 44	$0.60	$1.30
45 through 49	$0.90	$1.95
50 through 54	$1.40	$3.03
55 through 59	$2.70	$5.85
60 and over	$6.00	$13.00

Option B–Additional

You may elect Option B–Additional life insurance in an amount equal to one, two, three, four or five times your annual basic pay (after rounding up to the next $1,000).

The cost is shown in the table below:

	Withholding for $1,000 Insurance	
Your Age Group	**Biweekly**	**Monthly**
Under 35	$0.03	$0.065
35 through 39	$0.04	$0.087
40 through 44	$0.06	$0.130
45 through 49	$0.09	$0.195
50 through 54	$0.14	$0.303
55 through 59	$0.28	$0.607
60 through 64	$0.60	$1.300
65 through 69	$0.71	$1.538
70 through 74	$0.87	$1.885
75 through 79	$1.07	$2.318
80 and over	$1.27	$2.752

Option C–Family

You may elect Option C–Family Life Insurance to provide coverage for your spouse and eligible dependent children. When you elect Option C, all of your eligible family members are automatically covered. You may elect either one, two, three, four, or five multiples of coverage. Each multiple is equal to $5,000 for your spouse and $2,500 for each of your eligible dependent children. You cannot elect a number of multiples for your spouse that is different from the number of multiples for your eligible dependent children.

Eligible dependent children must be unmarried and under age 22, or if age 22 or over, incapable of self-support because of a mental or physical disability that existed before the child reached age 22. Eligible dependent children include your natural children, adopted children, stepchildren (if they live with you in a regular parent-child relationship), recognized natural children, and foster children (if they live with you in a regular parent-child relationship).

You receive Option C benefits; you cannot designate a beneficiary.

The cost is shown in the table below:

	Withholding per Multiple	
Your Age Group	**Biweekly**	**Monthly**
Under 35	$0.27	$0.59
35 through 39	$0.34	$0.74
40 through 44	$0.46	$1.00
45 through 49	$0.60	$1.30
50 through 54	$0.90	$1.95
55 through 59	$1.45	$3.14
60 through 64	$2.60	$5.63
65 through 69	$3.00	$6.50
70 through 74	$3.40	$7.37
75 through 79	$4.50	$9.75
80 and over	$6.00	$13.00

Accidental Death and Dismemberment Insurance

Accidental Death and Dismemberment (AD&D) insurance provides additional funds in the event of a fatal accident or an accident that results in the loss of a limb or eyesight. For benefits to be paid, the death or loss must occur within 90 days after the accident and be a direct result of bodily injury sustained from that accident, independent of all other causes.

AD&D insurance is automatically included in Basic at no additional cost. It does not include the extra benefit, and is equal to your Basic Insurance Amount. AD&D insurance is also automatically included in Option A at no additional cost. It is equal to $10,000.

Changing Life Insurance Coverage

If you waived all insurance or did not elect any Optional insurance when you were first hired, or you simply want different coverage than you have now, you have three opportunities to make changes: an open enrollment, a physical exam, or a life event such as a marriage, divorce or death of a spouse.

Coverage After Retirement

To carry your insurance coverage(s) into retirement you must have been enrolled in FEGLI for the five years before your retirement, or from your earliest opportunity to enroll. If you don't meet that requirement, you cannot continue coverage.

If you are not eligible to (or do not want to) continue your FEGLI coverage into retirement, you must either drop the coverage or convert it to an individual policy.

If you continue carrying FEGLI coverage into retirement:

- For Basic coverage, you will have a choice of continuing coverage at the current level or electing to allow it to reduce, starting at age 65, to 25 percent or 50 percent of its current level, with premiums varying according to the choice you make.
- For Option A, you continue paying premiums until reaching age 65, after which premiums stop and the value of your insurance will drop by 2 percent per month until it reaches 25 percent.

- For Option B, you can continue unreduced coverage and at age 65 will have the option of keeping the coverage in effect or to stop paying premiums and allow the value of insurance to drop by 2 percent per month until it reaches 25 percent.
- For Option C, you can continue unreduced coverage and at age 65 will have the option of keeping the coverage in effect or to stop paying premiums and allow the value of insurance to drop by 2 percent per month for 50 months, at which time coverage will end.

You may cancel or reduce life insurance after retirement but may not increase it unless you are reemployed by the government.

LONG-TERM CARE INSURANCE

The Federal Long Term Care Insurance Program provides insurance for several types of long-term care that people may need because they are unable to care for themselves—including nursing home care, assisted living facility care, formal and informal care in the home, hospice care, respite care and similar services. Federal employees, retirees, certain family members and similarly situated members of the military community are eligible for the benefit.

Key features of the program include:

- Premiums are the same for all purchasers of standard coverage at any given age regardless of their employment status.
- The coverage is guaranteed renewable. That means that the insurance carrier cannot cancel your coverage unless you stop paying premiums.
- The coverage is fully portable. For example, that means that if you leave federal employment or get divorced from your federal employee spouse, you can keep your policy at the same premium.

The coverage is provided under contract to Long Term Care Partners, a partnership of the Metropolitan Life and John Hancock insurance companies. Enrollment is strictly voluntary. For an enrollment kit, see your personnel office or call 1-800-582-3337 (TDD 1-800-843-3557).

Eligibility

Those eligible for FLTCIP are:

- Federal employees and members of the uniformed services. This includes employees of the U.S. Postal Service and Tennessee Valley Authority, but does not include employees of the District of Columbia government. For federal and postal employees, in general if you are in a position eligible for FEHB coverage, you are eligible for this program (whether enrolled in FEHB or not—the key is eligibility).
- Federal annuitants, surviving spouses of deceased federal or postal employees or annuitants who are receiving a federal survivor annuity, individuals receiving compensation from the Department of Labor who are separated from the federal service, members or former members of the uniformed services entitled to retired or retainer pay, and retired military reservists at the time they qualify for an annuity (also known as gray reservists). Retired employees of the D.C. government are not included.
- Current spouses of employees and annuitants (including surviving spouses of members and retired members of the uniformed services who are receiving a survivor annuity).
- Adult children (at least 18 years old, including adopted children and stepchildren) of living employees and annuitants.
- Parents, parents-in-law, and stepparents of living employees (but not of annuitants).

Underwriting

Newly hired employees and their spouses may apply for the program using an “abbreviated” application within 60 days of becoming eligible. After that time, employees can still apply, but have to use a “full” application form. Full underwriting applies to all eligible persons other than active employees and their spouses within 60 days of hiring.

In abbreviated underwriting, the application has several health-related questions designed to determine who may be immediately eligible for benefits, or eligible for benefits within a short period of time. For active employees, the questions ask whether they:

currently are receiving long-term care type services; are being (or have been) treated for certain conditions, including Alzheimer's; use certain types of medical devices; or have been diagnosed with mental or nervous disorders that have required hospitalization. Their spouses also must answer whether they require help with certain activities or use crutches or a multi-prong cane.

In full underwriting, in addition to the questions applying in abbreviated underwriting, applicants must answer eight additional medical questions as well as eight lifestyle-type questions, including queries on their exercise habits, drinking and use of tobacco products. It may also include a review of medical records and/or a personal interview.

Benefit Choices

You can customize your insurance in these areas:

- benefit amount;
- benefit period;
- waiting period; and
- inflation protection.

You choose your daily benefit amount from $50 to $300 in $25 increments.

If you choose a lifetime benefit, benefits will continue for life. In effect, there is a limitless benefit period and no maximum lifetime benefit. If you choose either three years or five years of coverage:

- The benefit period is the length of time your maximum lifetime benefit will last if you receive care every single day at a cost equal to or more than your daily benefit amount. If you receive services that cost less than your daily benefit amount, or don't receive services every day, your benefits will last longer.
- The benefit period is used as a multiplier, along with your daily benefit amount, to calculate your maximum lifetime benefit, the maximum your plan will pay. The calculation is: daily benefit amount x benefit period (in days) = maximum lifetime benefit. For example, if you choose a $100 daily benefit amount and a three year benefit period, your maximum lifetime benefit would be $109,500 ($100 x 1095 days (which is three years at 365 days/year)) = $109,500.

This amount of money is available for reimbursement of approved long-term care costs for as long as you're eligible for benefits, after you meet the waiting period you selected. The maximum lifetime benefit is also referred to as a "pool of money."

The waiting period is the number of days during which you must be eligible for benefits and receiving covered services before your benefits start. It works like a deductible in health insurance. You may choose either 30 or 90 days.

There are two types of inflation protection:

- With the Automatic Compound Inflation Option, your daily benefit amount and the available portion of your maximum lifetime benefit will automatically increase by 5 percent every year with no increase in your premium.
- With the Future Purchase Option, you may buy additional coverage every two years at an extra cost. The increase offered in your daily benefit amount and the remaining portion of your maximum lifetime benefit is based on increases in the Medical Consumer Price Index. Each time you buy additional coverage, your premium will increase. The premium for the additional coverage will be based on your age and premium rate at the time the increase takes effect.

Services Covered

The program offers two basic packages of coverage, "facilities-only" and "comprehensive."

If you select the comprehensive option, you may choose to have benefits for covered services determined on a weekly instead of a daily basis. The weekly benefit amount is equal to seven times your daily benefit amount.

RETIREMENT

The Federal Employees Retirement System (FERS) generally covers everyone hired since January 1, 1984. The "old" federal retirement program, the Civil

Service Retirement System (CSRS), generally applies to those hired before that date.

CSRS–Offset retirement generally applies to employees who had a break in service that exceeded one year and who had five years of creditable civilian service on January 1, 1987. Such employees get a choice of CSRS–Offset or FERS coverage.

If you're unsure at all which retirement system applies to you, be sure to check that out. The systems have fundamental differences in how benefits accumulate. There also are important differences involving the Thrift Savings Plan (see that section for details).

Also, certain special rules apply to law enforcement officers, firefighters and air traffic controllers. In general, they contribute slightly more toward retirement and are eligible for a slightly higher benefit than other employees while generally being subject to age-based mandatory retirement.

Basic Designs

FERS—FERS is a three-part retirement system consisting of Social Security coverage, a civil service annuity and the Thrift Savings Plan. In general, FERS employees contribute 7 percent of pay to cover the cost of their benefits: 0.8 percent is paid to the civil service retirement fund and goes to cover their basic annuity benefit and 6.2 percent goes to pay for Social Security benefits. In addition, they pay 1.45 percent for Medicare coverage; there is no cap on Medicare deductions.

The Social Security 6.2 percent portion stops when pay hits an annual Social Security maximum wage base ($87,000 in 2003) but there is no limit on the Medicare or civil service portions.

CSRS—CSRS is a classic defined benefit system with Thrift Savings Plan coverage as an additional benefit.

CSRS rewards those who stay with the government for a full career. For example, employees who retire at age 55 or later with 30 years of covered service will receive an annuity that equals 56.25 percent of the average of their highest three consecutive years of base salary, called the high-3. For this benefit, employees pay 7 percent of their pay to the Civil Service Retirement and Disability Fund. They also pay 1.45 percent for Medicare coverage.

CSRS–Offset—CSRS–Offset employees are covered by both CSRS and Social Security. They earn retirement credits under both systems. Since Social Security is a fully portable benefits system, credits earned while employed under CSRS-Offset are added to any earned before joining the government or after leaving it. They also are eligible to participate in the Thrift Savings Plan.

The annuities of CSRS–Offset employees are computed under the same rules that apply to CSRS retirees. However, if they become eligible for any Social Security benefits at age 62 (or later if they retire from the federal government after age 62), their CSRS annuity will be reduced, or "offset" by the value of the Social Security benefits earned during their CSRS–Offset service.

For these benefits, most CSRS–Offset employees contribute 7 percent of pay. However, 6.2 percent of that amount goes to pay Social Security taxes, the remainder to the civil service retirement fund. They also pay 1.45 percent for Medicare coverage. CSRS–Offset employees continue paying the 6.2 percent portion even after their pay hits the annual Social Security maximum wage base ($87,000 in 2003) but the money from that point on goes into the civil service fund rather than the Social Security fund. There is no limit on the Medicare or civil service portions.

Eligibility for Retirement

All federal retirees are eligible for an annuity under the following categories that depend on age and length of service:

Regular Retirement—It is the employee's option to retire after reaching minimum age and service requirements. However, there is a difference in eligibility requirements between the CSRS/CSRS–Offset and FERS systems.

Under FERS, an employee who meets one of the following age and service requirements is entitled to an immediate retirement benefit: age 62 with five years of service, 60 with 20, minimum retirement age (MRA) with 30 or MRA with 10 (but with reduced benefits).

The FERS/Social Security minimum retirement age for those born before 1948 is 55. An increase of two months per year is phased in over the next five years so that it reaches 56 for those born in 1953 through 1964. A similar increase applies over the five following years so that the MRA reaches 57 for those born in 1970 and after.

Under CSRS/CSRS–Offset, and employee may retire at age 62 with five years of service, 60 with 20, or 55 with 30.

Early Retirement—Eligibility requirements are identical for all three retirement systems: age 50 with 20 years of service and any age with 25 years.

If the head of an agency gets approval to permit early optional retirements, eligible employees will be notified of the opportunity to retire voluntarily. If they meet the above requirements, they may retire voluntarily on an immediate annuity. (Under CSRS/CSRS–Offset, the annuity is reduced by 2 percent for each year an employee is under age 55. There is no reduction under FERS.) At least five years of that service must be civilian service. CSRS/CSRS–Offset employees must have been employed under that system for at least one year out of the last two years preceding retirement. There is no such requirement under FERS.

Discontinued Service—The term "involuntary separation" means any separation against an employee's will and without his or her consent, other than "for cause" (such as misconduct or delinquency).

Those who are involuntarily separated, other than for misconduct or delinquency, and have at least 25 years of service or are at least age 50 with 20 years of service, will be entitled to an immediate annuity. (Under CSRS/CSRS–Offset, that annuity will be reduced by 2 percent for each year the employee is under age 55. There is no reduction under FERS.) At least five years of that service must be civilian service. CSRS/CSRS–Offset employees must have been employed under CSRS for at least one year out of the last two years preceding retirement. There is no such requirement under FERS.

Deferred Retirement—Employees under CSRS/CSRS–Offset who leave federal service before meeting the age and service requirements for an immediate retirement benefit may receive a deferred annuity at age 62, if they have at least five years of creditable civilian service, do not receive a refund of all retirement contributions and are not eligible for an immediate retirement benefit. Under FERS, employees are eligible at age 62 with five years of service, 60 with 20, minimum retirement age with 30 or MRA with 10 (but with a reduced benefit).

Disability Retirement—Employees who become disabled during the course of their federal career may be entitled to a disability annuity. Under CSRS/CSRS–Offset, they must have completed at least five years of federal civilian service; under FERS, only 18 months. Second, while employed in a position covered by either CSRS/CSRS–Offset or FERS, they must have become disabled for "useful and efficient service" in both their current position and any other vacant position at the same grade or pay level for which qualified.

Before they can be considered eligible for a disability retirement benefit, their employing agency must determine that they are not qualified for reassignment to any other vacant position within the agency and commuting area at the same grade or pay level of the position they currently occupy.

Computing Retirement Benefits

Annuities are expressed as a percentage of high-3 average salary. The high-3 average salary is the highest three years of base pay or salary earned in any consecutive three-year period (usually the last three years).

FERS—Generally, the benefit is calculated as 1 percent of high-3 average pay multiplied by years of creditable service. For those retiring at age 62 or later with at least 20 years of service, a factor of 1.1 percent is used rather than 1 percent.

FERS employees retiring with less than 20 years of service and before attaining age 60 will have their annuities reduced by 5 percent for every year they are under age 62. However, that reduction will be waived if the employing agency provides an opportunity to retire early.

Figuring a Social Security benefit can be highly complicated. The Social Security Administration sends covered individuals estimates of their future benefits annually several months before their birthdays. Such estimates also can be obtained through a local SSA office, online at www.ssa.gov or by calling 1-800-772-1213.

The third leg of FERS retirement is the Thrift Savings Plan, which has several superior features for FERS employees versus CSRS or CSRS–Offset (see that section).

CSRS—The amount of the basic annuity payable on retirement under CSRS is directly related to length of service and the average of highest three years' average salary. Once the basic annuity is computed, it may be reduced for any service for which retirement contributions were not made. The formula is:

- 1.5% x high-3 x first 5 years of creditable service
- plus 1.75% x high-3 x next five years of service
- plus 2.0% x high-3 x all years of service over 10

While unused sick leave cannot be counted toward the high-3 years of average salary or for establishing eligibility for retirement, it can be used in the formula to produce a greater result.

CSRS–Offset—The dollar amount of a basic annuity payable to a CSRS–Offset employee is calculated in the same way as that for a regular CSRS employee.

However, CSRS–Offset employees who retire and are eligible for a Social Security benefit at age 62 (or later if they retire after age 62) will have their CSRS annuities reduced by the amount of the Social Security benefit that is attributable to their offset service. If they are not eligible for Social Security benefits at those points in time, there will be no offset to their CSRS annuities.

Survivor Benefits upon Death of Current Employee—FERS

The surviving spouse of an employee who had at least 18 months of creditable civilian service may be eligible for a basic employee death benefit, so long as the spouse:

- was married to the deceased for an aggregate of at least nine months (the nine month requirement does not apply if the death was accidental); or
- was the parent of a child born of the marriage (including one born posthumously, or out of wedlock if the parties later married).

The basic death benefit is equal to 50 percent of the employee's final salary (average salary, if higher) plus about $24,000 (the exact amount is determined by cost-of-living adjustments).

This benefit may be payable to a former spouse (in whole or in part) if a qualifying court order is on file at OPM and the former spouse was married to the deceased for at least nine months and did not remarry before reaching age 55.

The spouse of an employee who dies with at least 10 years of creditable service (18 months of which must be civilian service) is eligible for a monthly benefit if the spouse:

- was married to the deceased for a total period of at least nine months (the nine month requirement does not apply if the death was accidental); or
- was the parent of a child born of the marriage (including one born posthumously, or out of wedlock if the parties later married).

The benefit is equal to 50 percent of the unreduced annuity the employee would have been entitled to had the employee been of retirement age, without reduction for age. It is payable upon the death of the employee and is adjusted for inflation.

This benefit may be paid in whole or in part to a former spouse if a qualifying court order is on file at OPM.

The benefit is payable to the child of an employee with at least 18 months of creditable civilian service if the child is:

- an unmarried dependent up to age 18;
- an unmarried dependent from age 18 to age 22 if attending an accredited educational institution full-time; or
- an unmarried, disabled dependent (certified as such by the Social Security Administration) if the disability occurred before age 18.

The combined benefit of all the children is reduced by the total amount of child's insurance benefits that are payable under Social Security for the same month to all children of the deceased (including those of a former marriage who may not be living with the current spouse) based on the total earnings of the deceased. In many cases, the FERS children's benefit is reduced to zero.

If an employee dies and no survivor annuity is payable based on his/her death, the retirement contributions remaining to the deceased person's credit in the Civil Service Retirement and Disability Fund, plus applicable interest, are payable.

If a lump sum benefit is payable, it is paid to the first person eligible under the following order of precedence:

- beneficiary designated by the deceased in writing which is signed and witnessed and is received at his/her employing agency (or OPM if the deceased was a retiree or a separated employee) prior to death;
- spouse of the deceased;
- children of the deceased (or descendants of deceased children);
- parents of the deceased;
- executor or administrator of the deceased person's estate; then
- next of kin of the deceased according to the laws in the deceased person's state of domicile.

Survivor Benefits Upon Death of Current Employee—CSRS/CSRS–Offset

Your widow or widower, former spouse (if any), and children may qualify for a survivor annuity if your death occurs while you are employed subject to the Civil Service Retirement System provided you completed at least 18 months of civilian service.

To qualify for a survivor annuity, your spouse must have been married to you a total of nine months. That requirement does not apply, though, if there is a child born of the marriage or your death is accidental.

If your surviving spouse qualifies, he or she will receive annually 55 percent of the amount you would have received if you had retired at the time of your death (this is called the "earned annuity") or the lesser of: 22 percent of your high-3 years' average salary or 55 percent of the amount your annuity would have been if you had continued working until age 60 at the same high-3.

If your surviving spouse remarries before age 55 and the annuity terminates, the survivor annuity may be restored if the remarriage ends by death, annulment, or divorce.

Children qualify for survivor annuities if they are under 18 and unmarried. A child 18 or older may also qualify for a survivor annuity if incapable of self-support because of a disability incurred prior to age 18. In addition, a son or daughter 18 or older may be eligible for a survivor annuity up to age 22 if he or she is a full-time student at a high school, college, or other recognized educational institution.

Each child of a surviving spouse or former spouse will be entitled to a monthly benefit of about $380 and each child who has no surviving parent or whose surviving parent was never married to you, will be entitled to a monthly benefit of about $450 (exact amounts are determined by annual cost-of-living adjustments). These amounts are reduced proportionately if more than three children are eligible for survivor annuities.

A former spouse who was divorced from you on or after May 7, 1985, may receive all or part of the annuity otherwise payable to a surviving spouse if a court order requires it. To be eligible, the former spouse must have been married to you for at least nine months, and must not remarry before age 55.

If you die leaving no survivors who qualify for a survivor annuity, your contributions to the Civil Service Retirement Fund, plus any applicable interest, will be paid as a lump-sum death benefit.

Annuities for Survivors of Retirees

FERS—If you elect a standard survivor annuity under FERS when you retire, it amounts to 50 percent of your basic annuity before reductions are taken. However, unlike CSRS/CSRS-Offset, you are offered no sliding scale of choices. Your only other choices are 25 percent or none. You can elect a smaller than full survivor annuity only with your spouse's written consent.

If you elect a full survivor annuity, your own basic annuity is reduced by 10 percent. A 25 percent annuity is reduced by 5 percent.

CSRS/CSRS–Offset—A full survivor annuity benefit for your spouse amounts to 55 percent of your basic annuity. For this benefit, your basic annuity is reduced by about 10 percent. A partial survivor benefit can range anywhere from $1 a year and up.

Or you can decide on no survivor benefit. You can make less than a full election with your spouse's written permission. If a less than full survivor benefit is elected, the amount of the reduction in your annuity is proportionately less.

THE THRIFT SAVINGS PLAN

The Thrift Savings Plan (TSP) is a valuable way to build up a nest egg for your retirement. The TSP is a payroll withholding based plan. Investments are from pretax dollars and investment earnings are tax deferred until withdrawn.

The contributions limits, in terms of basic pay each pay period, are shown in the table below.

If you are a FERS employee, your agency will automatically contribute an amount equal to 1 percent of your basic pay each pay period. You make your own contribution by payroll deductions and your agency matches those contributions according to the following schedule:

FERS Employee Investment	Agency Match
First 3% of basic pay	$1.00 for each $1.00 you invest
Next 2% of basic pay	$0.50 for each $1.00 you invest
Above 5% of basic pay	0

CSRS and CSRS–Offset employees get no government contributions.

The TSP holds twice-yearly open seasons in which you can begin investments or change the amount of investment. These run April 15–June 30 and October 15–December 31. You can change the allocation of how much money you have going into each of the TSP's investment funds at any time. You also can move your account balances among the funds whenever you choose, up to once a month, through interfund transfers.

Newly hired FERS employees can begin investing immediately. Agency automatic 1 percent of salary contribution begins as of the hiring date. However, matching contributions don't begin until the second TSP "open season" after hiring. Depending on the hiring date, this could mean a wait of nearly a year.

Participants are always vested in their own contributions and the earnings on them. FERS participants are always vested in the matching contributions their agencies make and the earnings on them, but they become vested in the agency automatic 1 percent contributions and their associated earnings only after three years of civilian service.

Because it is a retirement savings vehicle, the TSP provides only limited access to your funds before retirement. The main means of accessing your money is the loan program, although in-service withdrawals are also allowed under certain circumstances.

Agency personnel offices have necessary TSP forms along with TSP publications. The TSP also operates a

Thrift Savings Plan Contribution Limits

Date*	FERS Maximum Percentage**	CSRS Maximum Percentage**
Before July 1, 2001	10	5
July 1– Dec. 31, 2001	11	6
Jan. 1– Nov. 30, 2002	12	7
Dec. 1, 2002– Nov. 30, 2003	13	8
Dec. 1, 2003– Nov. 30, 2004	14	9
Dec. 1, 2004– Nov. 30, 2005	15	10
After Nov. 30, 2005	no percentage limit under either system**	

* effective with pay period beginning on or after the respective dates because of lag time after earliest possible request at beginning of open season

** contributions are subject to a tax code dollar cap ($12,000 in 2003; $13,000 in 2004; $14,000 in 2005; $15,000 in 2006).

Web site—www.tsp.gov—and an automated phone system—(504) 255-8777—that contain information and forms and that provide certain services such as reporting account balances.

The TSP is working on a new computer system that will make several changes in the way the program operates. The program will go to “daily valuation,” meaning that account balances will be tabulated daily, rather than monthly. That means transactions such as interfund transfers, loans and withdrawals will be processed each business day rather than monthly. The new computer system also will bring several changes in the way accounts are administered.

Investment Choices

The TSP funds are:

- the Government Securities Investment Fund (G Fund), special Treasury issues with an average maturity date of about 14 years;
- the Common Stock Index Fund (C Fund), which tracks the Standard & Poor’s 500 index of large U.S. stocks;
- the Fixed Income Index Investment Fund (F Fund), a combination of corporate and government bonds;
- the Small Capitalization Index Investment Fund (S Fund) tracking the Wilshire 4500 measure of small and mid-capitalization U.S. stocks; and
- the International Stock Index Investment Fund (I Fund), tracking the Barclays EAFE index measure of mostly large company international stocks in selected regions.

By design, the G fund never can suffer a loss. Each of the others carries a risk of losses.

In-Service Loans and Withdrawals

You may gain access to your money during your working career through loans and in-service withdrawals. There are two types of loans—general purpose and residential. The former can be repaid over one to four years and the latter over one to 15 years.

When you take a TSP loan, you are borrowing from yourself. Loans are repaid through payroll allotments over the payment period specified in the loan agreement. You can repay the loan in full—plus any unpaid interest—before the end of your loan repayment schedule without penalty.

If you leave federal service you must repay the loan in full, including interest on the outstanding balance to the date of repayment. If you do not repay the loan within the required time frame, the TSP will declare a taxable distribution, meaning you will be liable for taxes and penalties.

There are two types of allowable withdrawals while in service—age-based and financial hardship. Age-based withdrawals are available to those age 59½ or older. They can make a one-time in-service withdrawal from their accounts of at least $1,000, up to the vested amount of the account. Continued contributions to the TSP after making such a withdrawal are allowed while still employed.

Financial hardship withdrawals must be at least $1,000, up to the amount of your own contributions and their associated earnings or the amount of your demonstrated need, whichever is smaller. You must provide information on family income and expenses and supply documentation supporting the amount of your request. After you make a financial hardship withdrawal, you cannot contribute to your TSP account for six months, meaning that for FERS employees the agency matching contributions stop during that time as well.

Options at Separation

Although you may no longer make contributions to your TSP account once you separate from the federal service, you may continue to make periodic adjustments in the way your money is invested. In addition, you will be offered a series of withdrawal options from which to choose. You can:

- leave you money in the TSP where it will continue to earn interest and defer a decision about what to do until a later date, within certain limits;
- withdraw your money as a lump-sum or as substantially equal monthly payments based on either a dollar amount, a chosen number of months or actuarial tables;

- have the TSP transfer all or part of you investments into an Individual Retirement Account (IRA) or other eligible retirement plan of your choosing; or
- have the TSP purchase a life annuity for you, with the choice of a self-only benefit or a survivor annuity, inflation protection and other features.

When the TSP's new computer system is operative, investors will be able to combine these choices to create a customized TSP withdrawal. Until then, a withdrawal election must be for the entire account balance and the only combination allowed is a partial direct withdrawal with a partial transfer to an IRA or similar account under the lump-sum and equal monthly payments options.

About FEDweek

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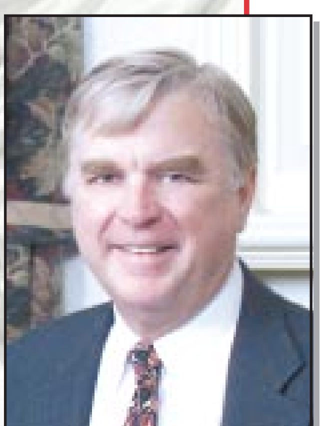

FEDweek publisher Don Mace is a Vietnam veteran, who served in the Air Force. He has covered federal employee and retiree news for more than 30 years in a variety of capacities.

In addition to his flagship publications, the Federal Employees Handbook and the Retired Federal Employees Handbook, he has written and edited more than two dozen publications on pay and benefits, retirement, financial and estate planning. He started FEDweek several years ago with one thing in mind:

"I am committed to providing every federal employee and retiree as well as the military community with the latest meaningful information on their pay and benefits — from first hire through retirement — so they can take full advantage of their opportunities and avoid costly mistakes. Our publications and our websites are clear and focused containing good, solid information that helps federal employees and retirees make the most out of their federal career and retirement."

Don Mace, Publisher
FEDweek

Federal Employment and Retirement

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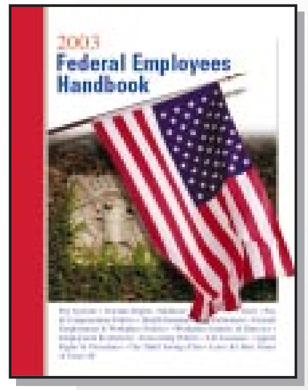

For 2003, the **Federal Employees Handbook** has been completely revised and expanded giving you 20% more information in an all-new easier to read two-column format while still keeping the size of the book and cost down to $9.95! Written by our veteran team of experts, the **2003 Federal Employees Handbook** contains the very latest critical information on your federal pay and benefits and workplace policies and will help you take full advantage of your opportunities and avoid costly mistakes and make the most out of your federal career. Below is a partial list of the table of contents in this all-inclusive handbook:

- Federal Pay Systems
- Pay and Compensation Policies
- Health Insurance
- Life Insurance
- Retirement
- The Thrift Savings Plan
- Social Security and Medicare
- Taxation of Federal Benefits
- General Employment and Workplace Rules
- Employment Restrictions
- Veterans' Rights and Preference
- On-the-Job Injuries and Illnesses
- Downsizing Policies
- Directory of Unions and Other Groups
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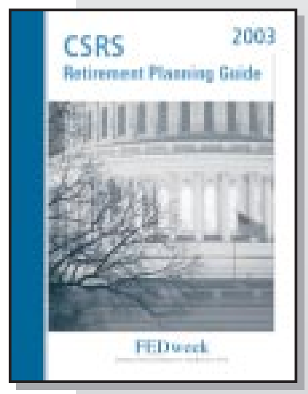
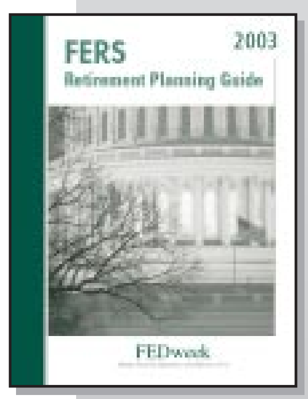


For 2003, we've added sections and new information on early retirement options, leaving service before retirement eligibility, key terms you need to know, Social Security, the Thrift Savings Plan, and much more! These guides simplify the retirement planning process, help you calculate your annuity (with plenty of examples), warn you about possible reductions in your annuity, tell you how Social Security fits into the picture, and what to do about health and life insurance. In short, they contain everything you need to know to make your retirement a success. Take a look a just some of what's in these **"2003" Retirement Planning Guides:**

- Your early retirement options
- Leaving service before retirement eligibility
- Key retirement terms you need to know
- Social Security and the Thrift Savings Plan
- How to calculate your annuity (with plenty of easy-to-follow examples)
- Eligibility requirements
- Different retirement types (regular, early, deferred, special disability)
- Credit for military service
- Deposits and redeposits
- Cost of living adjustments
- The effect of divorce on annuities
- Social Security
- Public Pension Offset
- Windfall Elimination Provision
- The Thrift Savings Plan
- Taking health and life insurance into retirement
- Special retirement (law enforcement, air traffic controller, etc.)
- Annuity taxes
- Annuity reductions
- Survivor benefits
- And much more!



Short Note: *CSRS-Offset employees should order the CSRS version and those who switched from CSRS to FERS want the FERS version.*

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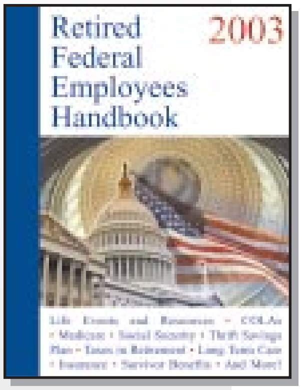

The **2003 Retired Federal Employees Handbook** has just been published and has been completely revised and updated for 2003, giving you the latest updates and information on policies affecting your retirement benefits, health and life insurance, Medicare and Social Security. It also contains a greatly expanded Questions and Answers section about your retirement benefits along with points of contact, benefit figures, addresses, status of important legislation and much more! Whether you are nearing retirement or already retired, you will greatly benefit from this brand new 2003 edition of the Retired Federal Employees Handbook. Here's just some of what's in the **2003 Retired Federal Employees Handbook**:

- The latest eligibility, benefit choices, and premium considerations under the upcoming federal long-term care insurance program-and what they mean to you
- Revised and expanded Questions and Answers section on your retirement benefits
- Key legislative initiatives affecting retirees, including the Government Pension Offset, Windfall Elimination Provision, premium conversion, retirement corrections law, and more
- New information on tax implications of Social Security benefits and Thrift Savings Plan withdrawal options and how they affect you
- A complete explanation of how court orders can affect your benefits
- An expanded section on Medicare and how it affects your FEHB coverage
- When you might get Social Security disability benefits and how you can lose them
- Latest policies on being reinstated after retiring on disability
- How the special retirement supplement under FERS works and when it may end for you
- Taxes in Retirement-Developing a savings and investment strategy and minimizing your tax burden
- Tax treatment of your federal annuities by state
- Thrift Savings Plan-Building a valuable nest egg in retirement
- Social Security Benefits-Eligibility requirements and earnings
- Medicare-How new options and changes affect you as a retired federal employee
- Survivor Annuitants-Knowing what benefits you are entitled to
- Divorce and Remarriage-Legal aspects and securing your family's future with continuing benefits coverage
- Cost-of-Living Adjustments-Determining how much and how often you should receive these increases
- Life Insurance-What happens to your FEGLI coverage in retirement
- Liability Insurance-Why you need an umbrella policy
- Health Insurance-Understanding your FEHB benefits in retirement
- Life Events and Resources-Dealing with changes that affect your life and family
- And much, much more!

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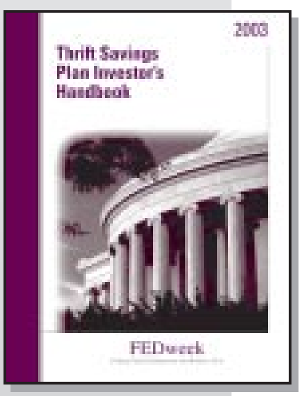
The 2003 Thrift Savings Plan Investor's Handbook $9.95



For 2003, **The Thrift Savings Plan Investor's Handbook** has been completely revised and expanded giving you the very latest sound advice and strategies on how to build your TSP account while minimizing your risks. Take a look at just some of what's new in **The 2003 Thrift Savings Plan Investor's Handbook:**

- A detailed explanation of how the phase out of TSP percentage of salary limits, plus increases in the dollar contribution limits, can help you build your retirement savings faster than ever
- New authority to transfer into the TSP money from other retirement savings accounts–what restrictions apply, how to accomplish the transaction and what happens to the money if you do so
- New participation rules for Reservists and National Guard members–when they can establish a second, "military" TSP account, how much they can invest in it, and how the two accounts work in relation to each other
- The new S and I funds–how to integrate the new into a personal investment plan, with examples of historic results of various investment strategies
- How the upcoming changes tied to the TSP's new computer system will affect your investment, loan, withdrawal and other options
- An updated guide to official resources and forms in the TSP program
- All-new and updated tables throughout to help you track your TSP investments
- New and expanded examples and explanations of account growth, and the crucial role of timing and compounding earnings to maximize your investments
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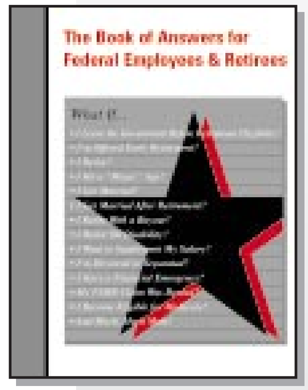

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