

'Twas Long Awaited And Hotly Debated; It's 'Open Season' To Switch To FERS

And If You Do It, It's Irrevocable

by Tom Haley, Office of Human Resources Management

"To Switch Or Not To Switch: That Is The Question..."

Okay, so much for the bad takeoff on **Hamlet's** famous soliloquy. But, notwithstanding the amateurish **Shakespeare**, what has been a long awaited--and hotly debated--opportunity to change retirement plans has arrived.

Specifically, the estimated 40,000 USDA employees who are either covered by the Civil Service Retirement System (CSRS) or CSRS-Offset now have the opportunity to switch into the Federal Employees Retirement System (FERS), if they so choose. They can make a voluntary switch during an "open season" which began on July 1 and runs through December 31.

Certain other categories of employees, including seasonal and temporary workers, may also be eligible to switch to FERS.

Eleanor Ratcliff, USDA's Retirement Counselor, noted that the last time an open season occurred for retirement plans was over 11 years ago in 1987. It followed passage of the Federal Employees Retirement System Act of 1986, which created FERS.

"As of January 1, 1987, virtually all newly hired federal employees have been automatically enrolled in FERS," she noted.

Ratcliff observed that CSRS was developed at a point in time when government employees generally stayed in their federal careers until they retired. "Some might say that, by contrast, FERS is a retirement system more reflective of the current economy and changes in society--for better or worse."

The key difference between the two retirement systems is in its source of benefits. CSRS has traditionally been a "single benefit" retirement system. In other words, employees have had one payroll deduction for the plan and, after retirement, have received one check--called an "annuity"--from CSRS each month for the rest of their lives.

By contrast, FERS is a retirement plan that provides benefits from three different sources: a Basic Benefit Plan (which is smaller than its CSRS counterpart), Social Security, and the Thrift Savings Plan (TSP). In addition, two of those three parts--Social Security and TSP--are "portable." That is, if an employee leaves the federal government before retirement, those two benefits in effect "travel" with the employee to his/her next job.

While CSRS employees can also participate in TSP, the participation is strictly voluntary, their contributions are limited to a maximum of five percent of their gross pay, and those participants do not receive any contributions from the federal government to match an employee's own contribution to TSP.

But in FERS, most employees can contribute up to a maximum of 10 percent of their gross pay to the TSP--and they also receive a matching contribution from the federal government. Even if a FERS employee doesn't voluntarily contribute to TSP, he/she still receives a federal contribution.

In another difference, CSRS provides for additional retirement service credit for unused sick leave, while FERS does not. Similarly, CSRS cost-of-living adjustments (COLA) are more generous than under FERS.

In addition, for employees who came into federal service late, or who anticipate moving from federal employment to private sector employment during their careers, FERS offers more flexibility to employees. "This is due to a wider range of age and service combinations for retiring early with a reduction in annuity," she explained, "or leaving early and filing for a deferred annuity at an earlier age than is possible under CSRS."

There are also differences in the survivor benefits under each system, whether the employee dies in service or chooses a survivor annuity at retirement.

The **USDA News** ran a series of articles in 1986 and 1987 comparing and contrasting various aspects of the two retirement plans.

Ratcliff pointed out that, unlike the 1987 open season in which all employees received a copy of the FERS Transfer Handbook, this time the Office of Personnel Management is only requiring that employees be informed about where to obtain FERS-related materials.

"During this open season, the options for obtaining appropriate materials are so much greater," she noted. "So each USDA agency made its own decision about whether to send its employees a copy of the 82-page manual--titled 'FERS Transfer Handbook--A Guide to Making Your Decision'--or, instead, to direct them to the Internet site to download the handbook."

Second, in an effort to alert employees about topics of interest related to a possible transfer from CSRS to FERS, the Office of Human Resources Management sponsored OPM-produced interactive satellite broadcasts on May 28, June 3, June 24, and July 29, with a fifth one planned for September 9. They have all been available for downlink to both headquarters and field locations.

Third, OHRM plans to update information about the open season on the USDA Home Page at www.usda.gov/da/employ.html

Fourth, OPM has provided related information on its Website-- www.opm.gov/fers_election "That site also provides a calculator," Ratcliff noted, "to help develop financial estimates of future retirement benefits under both systems."

"Employees who are not enrolled in FERS, but who may be considering switching to it, need to study the advantages and disadvantages of each system--as related to that individual's own unique situation," Ratcliff advised.

"Understand this: the change is irrevocable, the chance to ever do this again is probably nil, and you want to be able to tell yourself that the decision you make is one you can live with for the rest of your life." ☒