

# **SURVIVOR BENEFIT PLAN-SBP**

## **SURVIVORS OF ACTIVE EMPLOYEES, CSRS**

### **GENERAL ELIGIBILITY REQUIREMENTS**

Your widow(er) may qualify for a civil service survivor annuity if your death occurs:

- While you are employed and covered by CSRS; and
- After you have completed at least 18 months of creditable civilian service.

These annuity payments are increased, as adopted, by annual cost of living adjustments (COLA's), which will help your survivor, keep up with inflation.

### **SPECIFIC ELIGIBILITY REQUIREMENTS**

#### **Surviving Spouse**

To qualify for a survivor annuity, your widow(er) must:

- Have been married to you for at least nine months in total before your death; or
- Be the natural parent of your child

**NOTE:** *These requirements do not apply if your death is accidental.*

The survivor annuity terminates upon remarriage, but only if the remarriage occurs while still under age 55. If the survivor does remarry while under the applicable age, the survivor annuity may be restored if death, annulment or divorce dissolves the remarriage.

#### **Children**

Your child, to qualify for a survivor annuity must:

- Be under the age of 18; and
- Be unmarried.

A stepchild may qualify for a survivor annuity if they meet the requirements set forth above and, in addition, has lived with you in a regular parent-child relationship. While there is no specific time requirement, you must be able to demonstrate that the stepchild is a dependent; for example, they are claimed as a dependent on your most recent tax returns.

If you acknowledge an illegitimate child, they may qualify for a survivor annuity if he or she meets the requirements above and, in addition, can show dependency.

A child over 18 can qualify for a survivor annuity if incapable of self-support because of a disability, which began before they reached the age of 18. OPM makes this determination based on medical and other relevant factors.

In addition, a child over 18 may be eligible for a survivor annuity up to age 22 if he or she is a student in full-time attendance in high school, college or other recognized educational institution. The annuity will continue over the non-school intervals of not more than five months between school years or terms, if there is a clear intention to remain a full-time student.

Statements from the student and the school will help establish the basis of this intent.

### **Guaranteed Minimum Benefit**

If your surviving spouse qualifies, they will receive a guaranteed minimum yearly survivor annuity. The amount of that annuity will be 55% of the smaller of the following two amounts:

- 40% of your highest three consecutive years of average pay commonly referred to as your "High-3"; or
- The amount your annuity would have been if you continued working until you were 60 years of age at the same "High-3".

However, the guaranteed minimum does not apply if the widow(er)'s annuity (based on the actual length of service) is greater than the guaranteed minimum. In that event, the widow(er)'s annuity would be 55% of the annuity earned by the employee at the time of their death.

The spousal annuity begins on the day after the death of the employee and ends on the last day of the month before the one in which the survivor dies or remarries. COLA's will increase the survivor annuity annually.

### **CALCULATING SURVIVOR ANNUITY PAYMENTS**

#### **Surviving Spouse**

The survivor annuity for the spouse of an active CSRS (or CSRS Offset) employee is based on the disability annuity that would have been payable if the employee had retired on their date of death. The disability formula provides an enhanced benefit for those who retire with fewer years of service.

In the examples below, the survivor annuity will be "A", if it provides for the largest benefit; otherwise, the benefit will be the smaller of "B" or "C." The following examples are for each category possible for a survivor annuity payment.

#### **Deceased Employee Statistics**

- Entered Service at Age 20
- Service = 18 Years
- "High-3" = \$30,000

EXAMPLES OF CALCULATIONS		
A)	Guaranteed Minimum Earned Annuity	\$2,250
	1.5% x \$30,000 x 5 years of service	\$2,625
	1.75% x \$30,000 x 5 years of service	<u>\$4,800</u>
	2% x \$30,000 x 8 years (remaining service time)	\$9,675
	Total Annual Annuity	
	55% Limitation \$5,321 (rounded down)	\$443.42
B)	Monthly Annuity for "A" (\$5,321 divided by 12)	
	Annuity Projected to Age 60 (40 years of service)	
	1.5% x \$30,000 x 5 years of service	\$2,250
	1.75% x \$30,000 x 5 years of service	\$2,625
	2% x \$30,000 x 30 years (remaining service time)	<u>\$18,000</u>
	Total Annual Annuity	\$22,875
C)	55% Limitation = \$12,581 (rounded down)	
	Monthly Annuity for "B" (\$12,581 divided by 12)	\$1,048.44
	40% ("High-3" average pay) x \$30,000	\$12,000
	Monthly Annuity for "C" (12,000 divided by 12)	\$1,000

In this example, "C" would be the correct survivor benefit, the smaller of "B" and "C." Benefit amount "A," the guaranteed minimum, is smaller than both "B" and "C," and therefore would not be used.

#### Surviving Children With a Surviving Parent

If a spouse and/or former spouse who is the parent of your child(ren) survives you, these dependents are eligible for a survivor annuity, which is increased annually by the Cost of Living Adjustments. The survivor annuity is equal to whichever of the following amounts are lesser:

- A) 60% of your "High-3" average pay divided by the number of children.
- B) \$1,331 per month, divided by the number of children\*
- C) \$444 per month\*

\* The dollar amounts used in "B" and "C" to compute the payment of the survivor benefit were in effect as of the date of this publication.

#### Deceased Employee Statistics

- Example 1: 1 dependent child
- Example 2: 4 dependent children
- Average "High-3" pay = \$30,000

Example 1:

The Survivor Annuity with one child and a surviving spouse will be the lesser of:

- A)  $60\% \times \$30,000 \div \text{by } 1 = \$18,000 \div \text{by } 12 = \$1,500$  per month
- B)  $\$1,331$  per month  $\div$  by 1 =  $\$1,331$
- C)  $\$444$  per month per child

*In this example the annuity would be "C" because it is the lowest of the three amounts.*

Example:

The Survivor Annuity with 4 children and a surviving spouse will be the lesser of:

- A)  $60\% \times \$30,000 \div \text{by } 4 = \$4,500 \div \text{by } 12 = \$375$  per month
- B)  $\$1,331$  per month  $\div$  by 4 =  $\$333$  per month
- C)  $\$444$  per month per child

*In this example the annuity would be "B", for each child, because it is the lowest of the three amounts.*

**Surviving Children Without a Surviving Parent**

Each qualified child, except an illegitimate child, who has no surviving parent, will be paid the lesser of:

- A) 75% of your "High-3" average pay,  $\div$  by the number of children
- B)  $\$1,598$  per month,  $\div$  by the number of children\*
- C)  $\$533^*$

*\* The dollar amounts used in "B " and "C" to compute the payment of the survivor benefit were in effect as of the date of this publication.*

**Deceased Employee Statistics**

Example 1: 1 dependent child

Example 2: 4 dependent children

Average "High-3" pay =  $\$30,000$

Example 1:

The Child's Survivor Annuity with 1 dependent child and without a surviving parent will be the lesser of:

- A)  $75\% \times \$30,000 \div \text{by } 1 = \$22,500 \div \text{by } 12 = \$1,875$  per month
- B)  $\$1,598$  per month  $\div \text{by } 1 = \$1,598$
- C)  $\$533$  per month per child

*In this example the annuity would be "C" because it is the lowest of the three amounts.*

Example 2:

The Child's Survivor Annuity with 4 dependent children and without a surviving parent will be the lesser of:

- A)  $75\% \times \$30,000 \div \text{by } 4 = \$5,625 \div \text{by } 12 = \$468.75$  per month
- B)  $\$1,598$  per month  $\div \text{by } 4 = \$400$  per month
- C)  $\$533$  per month per child

*In this example the annuity would be "B", for each child, because it is the lowest of the three amounts.*

**NOTE:** *These benefits are available to qualified dependent children whether the spouse or former spouse died before or after the employee.*

The survivor annuity to each qualified child begins the day after your death occurs and ends on the last day of the month before the one in which your child dies, marries, reaches the age of 18 or, if over 18, becomes incapable of self-support. This latter category only applies to a child who was incapable of earning a living, because of a physical or mental disability incurred before the child's 18th birthday.

The annuity of a child who is a student will end on the last day of the month before they marry, die, cease to be a student, or attain the age of 22. If a student drops out of school or their annuity is terminated, it can be restored if he or she later returns to school and is still under 22 and unmarried.

A child's annuity will be paid to his or her guardian if the court has appointed one. If no guardian has been appointed, payment will be made (at the discretion of the OPM) to the person who has the care and custody of the child.

**NOTE:** *In general, a child's annuity is considered a contribution for the parent or guardian; therefore, normally they would control the care of the child and the money. If a child continues to receive an annuity payment after the, age of 18, (example, a full time student) the child may receive the annuity payment directly. This could be a result of a family decision or prevailing circumstances.*

## **POTENTIAL REDUCTION IN A SURVIVOR ANNUITY**

An earned survivor annuity is based on your "High-3" salary and years of service completed at death. Your survivor will receive this amount if it is greater than the guaranteed minimum amount described earlier. However, the period of service used in the calculation will be reduced for any creditable government service before January 1, 1989, where no retirement contributions were made — unless you made a deposit to cover that service. This is because those years cannot be included in the annuity computation. The annuity reduction ranges between 1.75% and 2% for each year of non-deductible service.

In addition, if you die before making or completing a deposit for Post-56 military service or received a CSRS contribution refund and had not made a deposit, those years of service will not be creditable for retirement purposes. However, your survivor will be given the opportunity to make the necessary payment.

**NOTE:** *If you die in service, reductions that would be made in your own annuity if you were less than 55 years of age or in a leave without pay status for 6 month or less in a calendar year when you retire will not be made in your survivor's annuity.*

## **SURVIVORS OF ACTIVE EMPLOYEES, FERS**

### **GENERAL ELIGIBILITY REQUIREMENTS**

Your widow(er) may qualify for a civil service survivor annuity if your death occurs:

- While you are employed and covered by FERS; and
- After you have completed at least 18 months of creditable civilian service.

These annuity payments are increased, as adopted, by annual Cost of Living Adjustments (COLA's) that will help your survivor keep up with inflation.

### **SPECIFIC ELIGIBILITY REQUIREMENTS**

#### **Surviving Spouse**

To qualify for a survivor annuity, your widow(er) must:

- Have been married to you for at least 9 months in total before your death; or
- Be the natural parent of your child.

**NOTE:** *These requirements do not apply if death is accidental*

#### **Children**

Your child, to qualify for a survivor annuity must:

- Be under the age of 18; and
- Be unmarried.

A stepchild may qualify for a survivor annuity if they meet the requirements set forth above and have lived with you in a parent-child relationship. While there is no specific time requirement, you must be able to demonstrate that the stepchild is a dependent; for example, they are claimed as a dependent on your most recent tax returns.

If you acknowledge an illegitimate child, they may qualify for a survivor annuity if he or she meets the requirements above and can show dependency.

A child over 18 can qualify for a survivor annuity if incapable of self-support, because of a disability, which began before they reached the age of 18.

In addition, a child over 18 may be eligible for a survivor annuity up to age 22 if he or she is a student in full-time attendance at a high school, college or other recognized educational institution.

The annuity will continue over the non-school intervals of not more than five months between school years or terms, if there is a clear intention to remain a full time student. Statements from the student and the school will help establish the basis of this intent.

## **CALCULATING SURVIVOR ANNUITY PAYMENTS**

### **Surviving Spouse**

If the surviving spouse qualifies, he or she will receive a survivor benefit. The amount, in part, is based on the years of service:

More than 18 months, but less than 10 years:

- 1) A lump sum payment, plus
- 2) A lump sum equal to the higher of
  - 1/2 of annual basic pay at the time of death; or
  - 1/2 of the "High-3" average salary

10 or more years of FERS service:

- #1 and #2 above; plus
- A survivor benefit equal to 50% of the employee's basic annuity under FERS\*

*\* For employees with prior CSRS service, the spouse receives 50% of the combined CSRS and FERS benefit. The basic employee death benefit is not payable if Office of Workers' Compensation (OWCP) benefits is elected.*

The lump sum payment may be taken in one payment or 36 monthly installments. Your spouse will be able to make that decision on a Standard Form 3104B (Documentation and Elections in Support of Application for Death Benefits) when deceased was an employee at the time of death. Your employing agency will provide that form after inserting the amounts payable. An election to receive the lump sum in installments may be canceled at any time and the remaining balance distributed in one check. (The amount your survivor receives under the installment plan will be higher because it includes interest on the undistributed balance).

### **Annuity Benefits**

The annual survivor annuity for the spouse of an active employee, who has 10 or more years' service under FERS, is based on a simple formula:

$$1 \% \times \text{"High-3" average salary} \times \text{years of service} \div 2$$

Example:

If your "High-3" average salary was \$35,000 and you had 14 years of service, your spouse would be eligible to receive 204.71 per month in addition to the lump sum payout:

$$1\% \times \$35,000 = \$350.00 \times 14 \text{ years} = \$4,900 \div 2 = \$2,450 \\ \div \text{by 12 months} = \$204.71$$

The spousal annuity begins on the day after your death and ends on the last day of the month before the one in which your widow(er) dies or remarries. COLA'S will increase the spousal annuity annually.

A spousal annuity will terminate upon remarriage only if the remarriage occurs while still under age 55. If he or she remarries while under the applicable age, the annuity may be restored if death, annulment, or divorce dissolves the remarriage.

**NOTE:** *Annuity benefits may be reduced if your survivors are eligible for Social Security benefits based on your FERS service. Generally, there is no difference in the total amount of benefits your spouse will receive.*

### **Surviving Children With a Surviving Parent**

If a spouse and or former spouse who is the parent of your child (ren) survives you, these dependents are eligible for a survivor annuity. The survivor annuity rate is equal to:

Total amount payable to all children minus the total amount payable to all children by Social Security, divided by the number of children.

The total amount payable to all children is the lesser of:

A) \$1,332 per month  $\div$  by the number of eligible children\*; or

B) \$444 per month per child\*

\* *The dollar amounts used in computing the payment of the survivor benefit were in effect as of the date of this publication.*

## EXAMPLES OF CALCULATIONS

### Deceased Employee Statistics

- 1 dependent child
- 4 dependent children

Example:

The Survivor Annuity with 1 child and a surviving spouse will be the lesser of:

- A) \$1,332 per month  $\div$  by 1 = \$1,332
- B) \$444 per month, per child

In this example the annuity would be "B, " because it is the lesser of the two amounts.

Example:

The Survivor Annuity with 4 children and a surviving spouse will be the lesser of:

- A) \$1,332 per month  $\div$  by 4 = \$333 per month
- B) \$444 per month, per child

In this example the annuity would be "A" for each child, because it is the lesser of the two amounts.

### **Surviving Children Without a Surviving Parent**

Each qualified child, except an illegitimate child, who has no surviving parent, will be paid the lesser of:

- \$1,598 month,  $\div$  by the number of children\*
- \$533\*

*\* The dollar amounts used to compute the payment of the survivor benefit were in effect as of the date of this publication.*

### Deceased Employee Statistics

- 1 dependent child
- 4 dependent children

Example:

The child's Survivor Annuity with one child and without a surviving parent will be the lesser of:

A) \$1,598 per month  $\div$  by 1 = \$1,598

B) \$533 per month, per child

In this example the annuity would be "B," because it is the lesser of the two amounts.

Example:

The child's Survivor Annuity with four children and without a surviving parent will be the lesser of:

A) \$1,598 per month  $\div$  by 4 = \$400 per month

B) \$533 per month, per child

In this example the annuity would be "A" for each child, because it is the lesser of the two amounts.

**NOTE:** *These benefits are available to qualified dependent children whether the spouse or former spouse died before or after the employee.*

The Survivor Annuity to each qualified child begins the day after your death occurs and ends on the last day of the month before the one in which your child dies, marries, reaches the age of 18 or, if over 18, becomes incapable of self-support. This latter category applies to a child who was incapable of earning a living because of a physical or mental disability incurred before the child's 18th birthday.

The annuity of a child who is a student will end on the last day of the month before they marry, die, cease to be a student, or attain the age of 22. If a student drops out of school and their annuity is terminated, it can be restored if he or she later returns to school and is still under 22 and unmarried.

A child's annuity will be paid to his or her guardian if the court has appointed one. If no guardian has been appointed; payment will be made at the discretion of the OPM to the person who has the care and custody of the child.

**NOTE:** *In general, a child's annuity is managed by a parent or guardian, who controls the distribution for the care of the child. If a child continues to receive an annuity payment after the age of 18 (example: a full-time student) the child may receive the annuity payment directly. This could be a result of a family decision or prevailing circumstances. FERS annuity benefits are offset by the amount of Social Security Benefits payable to your child based on your FERS service. Generally, there is no difference in the total amount of benefits they will receive.*

## **POTENTIAL REDUCTION IN A SURVIVOR ANNUITY**

Generally, a Survivor Annuity must be reduced if you performed any creditable government service before January 1, 1989, for which no retirement contributions were made, unless you made a deposit to cover that service. This is because those years cannot be included in the annuity computation. The annuity reduction is equal to 1% for each year of non-deductible service.

In addition, if you die before making or completing a deposit for Post-56 military service performed before you were covered by FERS, or received a CSRS contributions refund and had not made a redeposit, those years of service will not be creditable for retirement purposes. However, your survivor will be given the opportunity to make the necessary payment. If made, the deposit will be credited to the CSRS component of your FERS benefit.

**NOTE:** *Reductions that would be made in your own annuity if you were less than 55 years of age or in a leave without pay status for 6 month or less in a calendar year when you retire will not be made in your survivor's annuity.*

## **SURVIVOR ANNUITY FOR RETIRED EMPLOYEES, CSRS**

There are three types of annuities a retiring employee may elect under CSRS. All three guarantee that annuities will be paid to any eligible children. The amount of these annuities will be the same as those provided to the children of employees who die in service.

### **Basic Life Annuity**

This is an annuity without a survivor benefit, such as the kind you would provide for your spouse.

### **Reduced Annuity With Benefit to Widow(er) or Former Spouse**

You may agree to take a reduction in your basic annuity and name your husband, wife, or former spouse as the person who will receive your survivor annuity. The amount of the full survivor annuity will be 55% of your unreduced annuity. If you have a current spouse, the law requires that you choose this option unless you and you spouse agree in writing to either a partial spousal annuity or to waive this benefit entirely. You are required to provide a survivor annuity to a former spouse if this is a stipulation in the divorce agreement or annulment, which ended your marriage after May 6, 1985. By law the stipulated amount cannot exceed 55% of your unreduced annuity entitlement amount.

### **Reduced Annuity With Benefit to a Specific Individual**

If you are in good health and there is no court order in force for a former spouse annuity, you may name a specific individual who has continuing financial interest in you to receive your survivor annuity. Such an "insurable interest" election may be made in addition to, or instead of, a spousal annuity. By law, you may not elect both a regular annuity and an "insurable interest" annuity for your spouse.

An "insurable interest" is presumed to exist with:

- A current spouse where a court order for a former spouse has prevented you from providing them with a regular survivor annuity;
- A blood or adoptive relative closer than first cousins;
- A former spouse;
- A person to whom the employee is engaged to be married; or
- A person living in a common law marriage relationship with the employee as recognized by the state in which they are domiciled.

However, there are others who may be eligible to receive an "insurable interest" annuity. OPM's only requirement is that the individual named have a clear "financial interest" and might reasonably expect to benefit from your continued life.

To prove good health, you must arrange and pay for a medical examination and provide a dated report signed by a licensed physician along with your retirement application.

## **CALCULATING SURVIVOR ANNUITY PAYMENTS**

### **Widow, Widower, or Former Spouse**

Normally, the decision to elect a survivor annuity is made at the time you retire. However, under certain circumstances that decision may be made after retirement. Choosing a survivor benefit not only will provide an income to your spouse, but also will have an immediate effect on your annuity. Simply stated, the normal annuity benefits you would have received will be reduced, during your lifetime, in order to provide a survivor benefit. The maximum survivor benefit under CSRS is 55% of the employee's unreduced annuity. This amount, however, can be reduced with your spouse's consent.

If you elect an annuity with survivor benefits to a widow, widower, or former spouse, your annuity will be reduced by:

- 2.5% of the first \$3,600 used as a base for the survivor annuity; plus
- 10% of any amount over \$3,600 used as a base for the survivor annuity

Example:

Annuity reduced for a full survivor benefit with an annual annuity of \$26,000 per year, \$2,166.66 per month:

A)  $2.5\% \times \$3,600 = \$90.00$

B)  $(\$26,000 - \$3,600) = \$22,400 \times 10\% = \$2,240.00$

C) Total reductions (A+B) = \$2,330

Your Reduced Annuity:

$$\$23,670 (\$26,000 - \$2,330) \div \text{by } 12 = \$1,972.50$$

Survivor Benefit:

$$\$26,000 \times 55\% = \$14,300 \div \text{by } 12 = \$1,191.66 \text{ per month}$$

**NOTE:** For most retirees, electing a full survivor annuity amounts to about 10% net reduction in their retirement annuity.

Example:

Annuity reduced for a full survivor benefit with an annual annuity of \$26,000 per year, \$2,166.66 per month. Amount jointly selected for the survivor annuity based on \$10,000:

$$\text{A) } 2.5\% \times \$3,600 = \$90.00$$

$$\text{B) } (\$10,000 - \$3,600) = \$6,400 \times 10\% = \$640.00$$

$$\text{C) Total reductions (A+B) = \$730}$$

Your Reduced Annuity:

$$\$25,270 (\$26,000 - \$730) \div \text{by } 12 = \$2,105.83 \text{ per month}$$

Survivor Annuity:

$$\$10,000 (\times) 55\% = \$5,500 \div \text{by } 12 = \$458.33 \text{ per month}$$

Even if the partial survivor benefit is reduced to as little as \$1.00 per month, your widow(er) will receive annual COLA increases on that amount. More importantly, if your widow(er) were covered under your Federal Employees Health Benefit Plan, he/she would be able to continue to be eligible for health benefits coverage. The same would be true of a former spouse who has been granted a court ordered annuity.

If the spouse you name at the time of retirement dies before you, or the marriage is otherwise dissolved, you are entitled to have your full annuity restored on the first of the month following your spouse's death. The amount deducted from your annuity while your spouse is still alive will not be refunded to you.

If you remarry, the person you married after retirement will be eligible to receive a survivor benefit, if you submit a written request and it is received by OPM no later than two years after the date of remarriage.

If you are unmarried at the time of retirement and later marry, you may, within two years after marriage, elect a reduced annuity with survivor benefits to your spouse. Once a change in election is accepted by OPM, it cannot be changed again.

**NOTE:** A retiree who marries on or after October 1, 1993, and elects a survivor annuity for that spouse, has his or her annuity permanently reduced based on actuarial tables. This actuarial reduction is in addition to the survivor annuity regular reduction. The dollar amount for the survivor annuity will be the same as if the election had been made at retirement.

To be eligible for a survivor benefit in the above circumstances, the spouse must be married to you for at least nine months before your death, or, if less than nine months, be the parent of your natural child, or your death must be accidental.

**NOTE:** The term "accident" does not include death as a result of suicide, while sane or insane, or as a result of the self-administration of illegal or illegally obtained drugs.

### Dependent Children

If, upon your death after retirement, you are survived by children, they could, regardless of the type of annuity you had elected, qualify for a survivor annuity under the same conditions and in the same amounts as explained previously in "Surviving Children Without a Survivor Parent".

### Specific Individual

If you elect an "insurable interest" annuity, a survivor annuity will, upon your death, after retirement, be paid to the person you named when you retired. The benefit will be based on 55% of your basic annuity after it has been reduced to account for the difference in age between you and the person you designate. Employee must take a reduced annuity. Reduction depends on ages of employee and person named as indicated below.

REDUCTION IN ANNUITY FOR AGE	
Age of Person Named in Relation to Retiring Employee	Reduction in Annuity of Retiring Employee
Older, same age or less than 5 years younger	10%
5 years but less than 10 years younger	15%
10 years but less than 15 years younger	20%
15 years but less than 20 years younger	25%
20 years but less than 25 years younger	39%
25 years but less than 30 years younger	35%
30 years or more years younger	40%

Example:

A) Retiring employee's Basic Annuity	\$24,000
B) Retiring employee elected survivor annuity per person 8 years younger than retiree computation of reduction: 15% x \$24,000	- 3,600

Annuity after reduction	\$20,400
Survivor's Annuity: 55% of \$20,400 ( <b>reduced</b> annuity)	\$11,220

If the person you named dies before you do, you must notify OPM so that your annuity can be restored to the higher, unreduced rate. The amount deducted from your annuity while the designated individual was still alive will not be refunded to you.

An "insurable interest" election may be changed to a reduced annuity with a survivor benefit to a spouse if you marry after retirement. Your written request for such a change must be received by OPM no later than one year after you marry. Once a change in election is accepted by OPM, it cannot be changed.

## **SURVIVOR ANNUITY FOR RETIRED EMPLOYEES, FERS**

There are three types of annuities a retiring employee may elect under FERS. All three guarantee that an annuity will be paid to any eligible children. The amount of this annuity will be the same as those provided to the children of employees who die in service.

### **Basic Life Annuity**

This is an annuity without a survivor benefit, such as the kind you would provide for your spouse.

### **Reduced Annuity With Benefit to Widow(er) or Former Spouse**

You may agree to take a reduction in your basic annuity and name your husband, wife, or former spouse as the person who will receive your survivor annuity. If you have a current spouse, the law requires that you choose this option unless you and your spouse agree in writing to waive that right. You are required to provide a survivor annuity to a former spouse, if this is a stipulation in the divorce agreement or annulment that ended your marriage after May 6, 1985. By law, the stipulated amount cannot exceed 50% of your unreduced annuity entitlement amount.

### **Reduced Annuity With Benefit to a Specific Individual**

If you are in good health and there is no court order in force for a former spouse annuity, you may name a specific individual who has continuing financial interest in you to receive your survivor annuity. Such an "insurable interest" election may be made in addition to or instead of a spousal annuity. If you select this option instead of a spousal annuity, you must obtain your spouse's consent in writing. The amount of your annuity is reduced by 10% to 40%, based on the difference between your ages.

An "insurable interest" is presumed to exist with:

- A current spouse where a court order for a former spouse has prevented you from providing them with a regular survivor annuity;
- A blood or adoptive relative closer than first cousins;
- A former spouse;
- A person to whom the employee is engaged to be married; or
- A person living in a common law marriage relationship with the employee as recognized by the state in which they are domiciled.

However, there are others who may be eligible to receive an "insurable interest" annuity. The individual named must have a clear "financial interest" and might reasonably expect to benefit from your continued life.

To prove good health, you must arrange and pay for a medical examination and provide a dated report signed by a licensed physician along with your retirement application.

## **CALCULATING SURVIVOR ANNUITY PAYMENTS**

### **Widow, Widower, or Former Spouse**

Normally, the decision to elect a survivor annuity is made at the time you retire. However, under certain circumstances that decision may be made after retirement. Choosing a survivor benefit not only will provide an income to your spouse, but also will have an immediate effect on your annuity. Simply stated, the normal annuity benefits you would have received will be reduced, during your lifetime, in order to provide a survivor benefit. The maximum survivor benefit under FERS is 50% of the employee's unreduced annuity. However, with your spouse's consent it can be lowered to 25%.

If you elect an annuity with survivor benefits to a widow, widower, or former spouse, your annuity will be reduced by 10%. For this your spouse will receive an annuity of 50% of your unreduced FERS benefit plus a special supplementary annuity payable until age 60, if your spouse will not be eligible for Social Security benefits until age 60.

The supplement is equal to the lesser of two formulas

- The amount of the survivor benefit payable under CSRS minus the amount payable under FERS; or
- The amount of Social Security benefit attributable to FERS service based on the annuity formula payable when the spouse attains age 60.

If you and your spouse choose a survivor annuity of 25% of your unreduced benefit, your annuity will be reduced by 5%. The same rules apply for supplementary annuity.

Example:

Annuity reduced for a full 50% survivor benefit with an annual annuity of \$10,000 per year, \$833.33 per month, FERS service only:

Your Reduced Annuity:

$$\begin{aligned} \$9,000 (\$10,000 - 10\%) \div \text{by } 12 &= \$750.00 \text{ per month Survivor Annuity} \\ \$10,000 (\times) 50\% = \$5,000 \div \text{by } 12 &= \$416.66 \text{ per month} \end{aligned}$$

Example:

Annuity reduced for a full survivor benefit with an annual annuity of \$26,000 per year, \$833.33 per month, combined CSRS and FERS service.

- *CSRS component \$20,600:*

$$A) 2.5\% (x) \$3,600 = \$90.00$$

$$B) (\$20,600 - \$3,600) = \$17,000 \times 10\% = \$1,700$$

$$C) \text{ Total CSRS reductions (A+B) } = \$1,790$$

- *Reduced CSRS Annuity:*

$$\$18,810 (\$20,600 - \$1,790) \div 12 = \$1,567.50 \text{ per month}$$

- *FERS component \$5,400:*

$$A) 10\% \times \$5,400 = \$540$$

$$B) \$4,860 (\$5,400 - \$540) \div 12 = \$405 \text{ per month}$$

- *Total CSRS/FERS Reduced Annuity:*

$$\$23,670 (\$26,000 - \$2,330 (\$1,790 + \$540)) \div 12 = \$1,972.50 \text{ per month}$$

- *Total Survivor Annuity:*

50% of your total unreduced annuity:

$$\$26,000 \times 50\% = \$13,000 \div 12 = \$1,083.33 \text{ per month}$$

Example:

Annuity reduced for a reduced 25% survivor benefit with an annual annuity of \$10,000 per year, \$833.33 per month, FERS service only:

Your Reduced Annuity:

$$\$9,500 (\$10,000 - 5\%) \div 12 = \$791.66 \text{ per month}$$

Survivor Annuity = 25% of the unreduced annuity:

$$\$10,000 \times 25\% = \$2,500 \div 12 = \$208.33 \text{ per month}$$

Example:

Annuity reduced for a full survivor benefit with an annual annuity of \$26,000 per year, \$833.33 per month, combined CSRS and FERS service.

- CSRS component \$20,600, with a reduced annuity of \$10,300 ( $\$20,600 \div 2$ )

$$A) 2.5\% \times \$3,600 = \$90$$

$$B) (\$10,300 - \$3,600) = \$6,700 \times 10\% = \$670$$

$$C) \text{ Total CSRS reductions (A+B) } = \$760$$

- Your Reduced CSRS Annuity:

$$\$19,840 (\$20,600 - \$760) \div 12 = \$1,653.33 \text{ per month}$$

- FERS component \$5,400:

$$A) 5\% \times \$5,400 = \$270.00$$

$$B) \$5,130 (\$5,400 - \$270) \div 12 = \$427.50 \text{ per month}$$

- Your total CSRS/FERS Reduced Annuity:

$$\$24,970 (\$26,000 - \$1,030 (\$760 + \$270)) \div 12 = \$2,080.83 \text{ per month}$$

- Total Survivor Annuity:

$$25\% \text{ of total unreduced annuity } \$26,000 \times 25\% = \$6,500 \div 12 = \$541.66$$

If an annuity reduced for a full survivor benefit with an annual annuity of \$26,000 per year, \$2,166.66 per month. Amount jointly selected for the survivor annuity based on \$10,000:

$$A) 2.5\% \times \$3,600 = \$90$$

$$B) (\$10,000 - \$3,600) = \$6,400 \times 10\% = \$640$$

$$C. \text{ Total reductions (A+B) } = \$730$$

If the spouse you named at the time of retirement dies before you, or the marriage is otherwise dissolved, you are entitled to have your full annuity restored on the first of the month following your spouse's death. The amount deducted from your annuity while your spouse is still alive will not be refunded to you.

If you remarry, the person you married after retirement will be eligible to receive a survivor benefit, if you submit a written request and it is received by OPM no later than two years after date of remarriage.

If you are unmarried at the time of retirement and later marry, you may, within two years after marriage, elect a reduced annuity with survivor benefits to your spouse. Once a change in election is accepted by OPM, it cannot be changed again.

**NOTE:** A retiree who marries on or after October 1, 1993, and elects a survivor annuity for that spouse has his or her annuity permanently reduced based on actuarial tables. This actuarial reduction is in addition to the survivor annuity regular reduction. The dollar amount for the survivor annuity will be the same as if the election had been made at retirement.

To be eligible for a survivor benefit in the above circumstances, the spouse must be married to you for at least nine months before your death, or, if less than nine months, be the natural parent of your child, or your death must be accidental.

**NOTE:** The term "accident" does not include death as a result of suicide, while sane or insane, or as a result of the self-administration of legal or illegally obtained drugs.

### Dependent Children

If upon your death after retirement, children survive you, they could – regardless of the type of annuity you had elected – qualify for a survivor annuity under the same conditions and in the same amounts as explained previously in "Surviving Children Without a Survivor Parent".

### Specific Individual

If you elect an "insurable interest" annuity a survivor annuity will, upon your death after retirement, be paid to the person you named when you retired. The benefit will be based on 55% of your basic annuity, after it has been reduced to account for the difference in age between you and the person you designate. Employee must take a reduced annuity. Reduction depends on ages of employee and person named as indicated in the following chart.

REDUCTION IN ANNUITY FOR AGE	
Age of Person Named in Relation to Retiring Employee	Reduction in Annuity of Retiring Employee
Older, same age or less than 5 years younger	10%
5 years but less than 10 years younger	15%
10 years but less than 15 years younger	20%
15 years but less than 20 years younger	25%
20 years but less than 25 years younger	39%
25 years but less than 30 years younger	35%
30 years or more years younger	40%

Example:

- Retiring employee's basic annuity = \$24,000
- Retiring employee elected survivor annuity for person 8 years younger than retiree computation of reduction: 15% x \$24,000 = \$3,600

Annuity after Reduction

\$20,400

## Survivor's Annuity

55% of \$20,400 (reduced annuity) = \$11,220

If the person you named dies before you do, you must notify OPM so that your annuity can be restored to the higher, unreduced rate. The amount deducted from your annuity while the designated individual was still alive will not be refunded to you.

An "insurable interest" election may be changed to a reduced annuity with a survivor benefit to a spouse if you marry after retirement. Your written request for such a change must be received by OPM no later than one year after you marry. Once a change in election is accepted by the OPM, it cannot be changed.

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