Federal Benefits Guide for New and Rehired Employees

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Important Beneficiary Forms to Be Filled Out and Submitted.

1. Q. What are the important beneficiary forms that should immediately be filled out and submitted by new employees?

A. Among the important beneficiary forms that all new and rehired employees should fill out and submit within the first year of their hire date are:

- **SF 1152** – Designation of beneficiary for unpaid compensation and unused annual leave of a deceased employee
- **SF 2823** – Designation of beneficiary of the Federal Employees Group Life Insurance program
- **TSP-3** – Designation of beneficiary for Thrift Savings Plan, and
- **SF 2808 (CSRS**) or **SF 3102 (FERS**) – Designation of beneficiary of an employee's CSRS and/or FERS contributions if the employee is not giving a survivor annuity.

All of these beneficiary forms can be downloaded from **www.opm.gov/forms**.

Employees who own individual life insurance policies issued by private life insurance companies, IRAs, or qualified retirement plans such as 401(k) or 403(b)plans should make sure beneficiaries for these policies and retirement accounts have named beneficiaries and are current.

2. Q. What are some considerations in choosing a beneficiary for each of these accounts?

A. For married employees, an obvious choice for beneficiary is a spouse but not always.. For single individuals, beneficiary designations include children, siblings, partners and charitable organizations.

3. Q. How often should these beneficiary designations be updated or changed?

A. Beneficiary forms should be updated as personal circumstances – life events – occur, including death of a family member, marriage or divorce. Employees should take all the steps necessary to notify their designated beneficiaries and to explain who must be notified when an employee dies.

4. Q. **Are there any employee forms that new and rehired employees should be particularly aware of?**

A. Perhaps the most important form every employee should be aware of is **Form SF 50 (Notice of Personnel Action)**. Newly hired employees receive an SF 50 at the time of their hire. Updated SF 50 forms are sent to employees by personnel offices as employees change jobs within federal service or when an employee gets a promotion or a step increase. In particular, there are two boxes on an SF 50 that are of particular importance to new employees: (1**) Box 30 – "Retirement Plan"** is coded according to which retirement system (CSRS or FERS) an employee is covered by. The following is a brief summary of the codes and associated retirement plans.

Retirement Plan	Commonly Called	SF 50 Box 30 Code
Civil Service Retirement System. (1)	CSRS	1 or 6
Civil Service Retirement System and Social Security (2)	CSRS Offset	C or E
Federal Employees Retirement System (FERS) (3)	FERS	K, L, M or N
Federal Employees Retirement System – Revised Annuity Employees (FERS-RAE) (4)	FERS-RAE	KR, LR, MR or NR
Federal Employees Retirement System – Further Revised Annuity Employees (FERS-FRAE) (5)	FERS-FRAE	KF, LF, MF, NF

(1) **Permanent employees hired before 1/1/1984**

(2) **CSRS employees with at least five years of service as of 1/1/1987 who left federal service for at least one year after 1/1/1984, and who returned to federal service.**

(3) **Permanent employees hired after 12/31/1983 and before 1/1/2013**

(4) **Permanent employees first hired after 12/31/2012, or rehired employees with less than five years of prior FERS service hired during 2013**

(5) **Permanent employees first hired after 12/31/2013, or rehired employees with less than five years of prior FERS service hired after 12/31/2013**

(2) The other box on SF 50 that should be checked is **Box 31 – "Service Computation Date" (SCD**). There will be a date in Box 31 (month/day/year) together with the word "leave" in parentheses. The SCD refers to the employee's date for annual leave accrual purposes. During the first 3 years of federal service, an employee accrues four hours of annual leave biweekly; years 4 through 14, employees accrue 8 hours of annual leave biweekly (10 hours during the last pay period of the year); once an employee has 15 years of service, the employee accrues 8 hours of annual leave biweekly.

The SCD for leave is normally an employee's first day of service. However, the SCD can be backdated as a result of an employee's prior military service or temporary (seasonal) service. New or rehired employees should check with their Personnel or Human Resources Office to make sure they have the correct SCD for annual leave purposes in Box 31. If the SCD is incorrect,
the employee should make sure that their personnel office is aware of any prior temporary federal service or military service.

Deposits and Redeposits

5. Q. **What is a deposit and why is making a deposit so important for new employees?**

A deposit is a payment by an employee for retirement contributions that were not deducted from an employee's paycheck when an employee was in the military or during a time in which the employee had temporary or seasonal federal service before being hired as a permanent employee in federal service. These employees are eligible to make deposits and are strongly encouraged to make their deposits, and to complete their deposits within the first three years of entering federal service in order to avoid interest charges. CSRS or FERS civilian service deposits may be made for federal service that was not covered by retirement deductions. Under FERS, temporary service performed prior to 1989 (except Peace Corps or Volunteers in Service to America service in which deposits can be made no matter when the service was performed) is subject to a deposit payment. A FERS employee may make a deposit for refunded CSRS contributions if the service is now credited as FERS. Post-1956 military service credits are payments made to the CSRS or FERS retirement fund for active military duty service performed after 12/31/1956.

6. Q. **What is the benefit of making a deposit for temporary service or military service and why should the deposit be completed within the first three years of an employee's entering federal service?**

A. In making a deposit for prior temporary or military service, additional years of service will be added to an employee's regular years of service. This may allow an employee to retire earlier than first expected. Also, an employee who makes a full deposit will add years of service which in turn will permanently increase the CSRS or FERS annuity. The deposit should be made and completed within 3 years of entering federal service in order to avoid interest charges.

7. Q. **What is a redeposit?**

A. A redeposit is a repayment of refunded prior CSRS and FERS contributions when an employee left federal service and then returned. By making a full redeposit, the employee gets credit for the years of service lost when the departed employee withdrew CSRS or FERS contributions that covered years of prior service. By making a full redeposit, the employee adds previous years of service and may be able to retire earlier than if the employee did not make a redeposit. Also, the years covered by a redeposit will be added to the employee's years of service for CSRS or FERS annuity computation, resulting in the employee receiving a larger CSRS or FERS annuity.

8. Q. **How does an employee go about making a deposit or a redeposit?**

A. Employees should contact the benefits specialist in their human resources office for instructions on how to pay their unpaid deposits and /or redeposits. CSRS or CSRS Offset employees will need form **SF 2803 – "Application to Maka Deposit or Redeposit"** to make a deposit or a redeposit**.** FERS employees will need form **SF 3108 - "Application to Make a Service Credit Payment" (FERS**). Those employees who want to make military deposits should bring their DD 214 form with them to their Personnel Office. To minimize interest charges, employees should complete their deposits or redeposits as soon as possible.

Thrift Savings Plan

9. Q. **How does a new or rehired employee enroll in the Thrift Savings Plan (TSP)?**

A. When an individual is hired into federal service as a full or part-time permanent employee, the individual is automatically enrolled in the TSP. Five (5) percent of the employee's gross salary is automatically deposited in the employee's traditional TSP account. In order to stop this automatic deduction from one's paycheck, the newly hired employee must contact the TSP..

10. Q. **When does an employee's agency automatic 1 percent of gross pay and matching TSP contributions start?**

A. A newly hired employee will receive an automatic 1 percent of gross pay (SF 50 salary) contributions from the employee's agency. This automatic contribution starts during the employee's first pay period. The agency matching (maximum 4 percent) will only begin when the employee starts contributing. Since an employee automatically contributes 5 percent of their pay from the time he or she is hired, the agency will maximize their employee match, as explained in Question #11..

11. Q. **What is the maximum agency match and how much does an employee have to contribute in order to receive the maximum agency TSP matching contribution?**

A. The maximum agency TSP match is 4 percent. In order to receive the maximum TSP matching, an employee must contribute at least 5 percent of his or her salary each pay date. Since a new employee is automatically having 5 percent of gross salary deducted, a new employee.is receiving the maximum match from his or her agency starting with their first pay period.

12. Q. **What are some other choices and decisions that new employees must be aware of with respect to their TSP accounts?**

A. In joining the TSP, employees have to decide which funds – C, S, I, F or G – or which Lifecycle (L) Fund – L Income, L 2020, L 2035. L 2030, L 2035, L 2040. L 2045, L 2050, L 2055, L2060 or L 2065 – to invest in. The TSP also offers a "Mutual Fund" window in which there are 5000 outside "open-ended" funds to invest in. Also, employees must decide which type of TSP account to invest in, namely the traditional TSP or the Roth TSP. With the traditional TSP, contributions are contributed from an employee's gross salary and grow tax-deferred but are fully taxable when withdrawn. With the Roth TSP, contributions are made from an employee's after-taxed salary, grow tax-free and together with accrued earnings, can be withdrawn tax-free after an employee becomes age 59.5.

13. Q. **Is there any investment guidance for new and rehired employees as far as which TSP account (traditional or Roth) to choose and which funds or L Fund to choose?**

A. Many financial professionals recommends that if an employee expects to be in a higher tax bracket when he or she withdraws from the TSP (compared to the tax bracket when he or she contributes to the TSP account) then the Roth TSP account is a more appropriate choice. Contributing to the Roth TSP will result in lost current tax savings, however. A "compromise" would be to contribute to both the traditional TSP and the Roth TSP provided one's total contributions do not exceed the IRS's annual elective deferral limit **($23,000 during 2024**).

14. Q. **Is there any other advice with respect to the TSP?**

A. New and rehired employees should contribute as much as possible to the TSP – contribute at least 5 percent of their gross pay each pay date – in order to receive the maximum agency match of 4 percent. New and rehired employees are also encouraged to avoid TSP loans and hardship withdrawals.

Health Insurance and Flexible Spending Accounts

15. Q. **What is the Federal Employees Health Benefits Program (FEHBP)?**

A. The FEHBP is a group health insurance program that covers federal employees and their eligible dependents. All full- and part-time permanent employees are eligible to join the FEHBP within 60 days of their hire date. There is no underwriting; all employees are eligible to apply including those with pre-existing conditions and are approved for coverage. Employees pay on average 25 percent to 28 percent of the total FEHBP premiums with the employee's agency paying the remaining 72 percent to 78 percent of the total FEHBP premiums. Three types of coverage are available – self only (covers the employee only), self plus 1 (covers the employee and one eligible family member) and self and family (covers the employee and eligible family members including spouses and children younger than age 26).

16. Q. **What types of health insurance plans are available in the FEHBP?**

A. There are fee-for-service plans, preferred provider organizations (PPOs), health maintenance organizations (HMOs), point of service plans (POS), high deductible health plans (HDHP) with health savings accounts (HSAs), and consumer-driven health plans available in the FEHBP.

17. Q. **Is there any guidance for new and rehired employees for choosing a health insurance plan?**

A. First, employees should not focus on premium cost as the sole determining factor for choosing a health insurance plan. Employees should look at their medical needs – and the medical needs of their family – in determining which plan best addresses these needs. An employee in good health may want to consider a high deductible health plan associated with a health savings account (HSAs). HSAs are an effective way for saving to pay future health care expenses (including retirement) and offer tax benefits.

18. Q. **What about flexible spending accounts (FSAs)? Should employees enroll in FSAs?**

A. There are two types of FSAs available to employees offered through the program FedFlex (www.fsafeds.com); namely, a health care FSA (HCFSA) and a dependent care FSA (DCFSA). HCFSAs are used to pay – on a before-tax basis – out-of-pocket medical, dental and vision expenses. HCFSAs are recommended for employees enrolled in fee-for-service plans and PPOs with out-of- pocket expenses exceeding $100 a year. DCFSAs are used to pay on a before-tax basis for out-of-pocket day care expenses and to pay for nannies, childcare centers and nursery school tuition. DCFSAs are recommended for employees with dependents such as children or adults who require day care services.

19. Q. **When do new employees have to decide about their health insurance plans and FSAs?**

A. In general, newly hired employees must decide within 60 days of their hire date which health insurance plan in FEHBP they wish to enroll in. They must also decide within the first 60 days of their hire date whether to participate in the FSAs.

Life Insurance

20. Q. **What benefits are available to newly hired employees with respect to life insurance benefits?**

A. All newly hired employees are eligible for the federal government's group life insurance program, Federal Employees Group Life Insurance (FEGLI). New employees are automatically enrolled in FEGLI Basic Insurance. Basic Insurance is an employee's annual salary (as shown on his or her SF 50) rounded up to the next $1,000, plus $2,000. For example, if an employee's annual salary is $74,250, then that employee's Basic Insurance is $77,000. New employees may also elect optional insurance, including Option A (Standard) life insurance – $10,000 of coverage, and Option B (additional, up to five times the employee's salary) and Option C (family coverage for spouse and children). New employees can get Basic Insurance and optional coverage without going through a medical exam. But new employees must elect to enroll in FEGLI optional insurance within 60 days of their hire date.

21. Q. **Should newly hired employees keep the FEGLI Basic Insurance and elect the FEGLI options within the 60-day enrollment period?**

A. Before answering this question, new employees should ask themselves why they need life insurance. For example, do they have a mortgage? Do they have family members who are totally dependent on them for financial support? If the answer is yes, then keeping the FEGLI Basic Insurance is a good idea, given it is relatively inexpensive. But if they need additional life insurance coverage and they are in relatively good health, buying life insurance from a private life insurance company is probably a good idea. This is because FEGLI optional coverage becomes more expensive as an employee gets older.

22. Q. **Any suggestions as to what type of life insurance should be bought from a private life insurance company?**

A. New employees are advised to buy cheaper term life insurance and avoid the more expensive cash value, permanent life insurance. In particular, the new employee should consider level term life insurance in which the policy owner pays the same premium throughout the policy term. Level term life insurance comes in 10, 15-, 20-, 25- or 30-year lengths.

23. Q. **Are there types of term life insurance policies that should be avoided?**

A. Annual renewable term, decreasing term and return of premium term life insurance policies should be avoided.

24. Q. **What is the best way for new employees to go about buying life insurance?**

A. The recommended way to buy life insurance is through an experienced life insurance broker. Insurance brokers can be found on the Internet, or through recommendations from friends or fellow employees. To check an insurance broker's reputation and credentials, employees should contact their state insurance commission.

Disability Income and Long-Term Care Insurance

25. Q. **Are there any government benefits for employees who are injured in non-occupational accidents or become ill and are unable to work for a substantial period of time?**

A. In order to answer this question, a distinction has to be made between getting injured on the job versus getting injured or becoming ill off the job. Employees who are injured on the job are entitled to workers' compensation. Employees who are injured off the job or become ill and are unable to work are entitled to use their accumulated sick leave and annual leave. They are also entitled to go on leave without pay for up to 12 months under the Family Medical Leave Act (FMLA).

26. Q. **What should new employees do on their own to protect themselves in the event they are injured in a non-occupational accident or become ill and are unable to work for a substantial period of time?**

A. New employees are encouraged to purchase an individual disability income insurance policy from an individual insurance company.

27. Q. **What is disability income insurance, how does it work, and why is it so important?**

A. Disability income insurance protects one's income. The federal government does not offer long-term disability insurance benefits to its executive branch employees. Employees should therefore buy an individual disability income insurance policy so that in the event the individual becomes disabled and is unable to work, the insurance company will pay a portion of the individual's salary – as much as 60 percent of the individual's gross salary – for a certain period of time. Since the disability income insurance premiums are paid with after-tax dollars, the benefit paid by the insurance company is tax-free. Disability income insurance is particularly important for new and even mid-career employees because a working individual's most important financial asset is their ability to work. Taking away that ability as a result of injury or illness could result in dire financial consequences.

28. Q. **How should a new employee go about buying disability income insurance?**

A. New employees are strongly encouraged to buy disability income insurance because the premiums will be less expensive compared to buying it later. If an employee is a member of a professional organization – for example, the American Bar Association – then the employee should check with the organization to find out if the organization offers a group disability income plan to its members. If an employee is not a member of a professional organization or the organization does not offer a group disability income insurance plan, then the employee should contact a licensed disability income insurance broker who sells individual disability income insurance in his or her state.

29. Q. **What type of basic choices does a disability income insurance applicant have to make?**

A. Among the choices an applicant for disability income insurance has to make: (1) Waiting (elimination) period – during the waiting time, a policy does not pay any benefits; the longer the waiting period, the less expensive the premiums; (2) Benefit period – the period of time after the waiting period in which the insurance company pays benefits; the longer the benefit period, the more expensive the premiums; (3) Percentage of annual gross salary (policy benefit); the larger percentage of gross salary replaced, the more expensive the premiums; and (4) Inflation adjustments – the annual percentage that is used to adjust annual benefit paid each year; the higher the percentage inflation adjustment, the more expensive the premiums.

30. Q. **What is long-term care insurance, and should new and rehired employees enroll in the federal government's group long-term care insurance plan?**

A. Long-term care encompasses a wide range of health and personal care – from a simple assisted living arrangement to intensive nursing care. Since most individuals do not have a need for long-term care until they reach their late 70s and 80s, purchasing long-term care insurance at a relatively young age (younger than 40) – even though policy premiums will be cheaper compared to buying the insurance at an older age – is generally not recommended.

31. Q. **If the federal government-sponsored long-term care group insurance plan is available to all employees, why should new employees not sign up during their first 60 days of being hired?**

A. The federal government-sponsored long-term care insurance plan is the Federal Long Term Care Insurance Program (FLTCIP), which is operated by the LTC Partners, Inc., currently John Hancock Health and Life Insurance Co. Newly hired employees have the opportunity to fill out an abbreviated application form for the FLTCIP within the first 60 days of their hire date. But unless a new and relatively young employee (younger than 40) expects his or her health to deteriorate over the next 10 to 20 years, enrolling in the FLTCIP after being hired is not recommended. The employee should instead purchase a disability income insurance policy.

32. Q. **What is a good age to purchase long-term care insurance?**

A. Most financial professionals recommend buying long term care insurance when an individual is close to retirement; perhaps mid-to-late 50s or early 60s.

33. Q. **Besides employees, are there any family members of employees eligible to apply for the FLTCIP?**

A. Spouses, adult children over the age of 18, parents, stepparents, in-laws and step-in-laws of employees are eligible to apply for the FLTCIP. Each of these individuals must apply on his or her own and qualify on their own. For new employees who have parents or parents-in-law in their 50s or 60s, the FLTCIP offers an opportunity for these relatives to get long-term care insurance at a reasonably good price. Note that an employee need not apply for the insurance in order for another family member to apply to the FLTCIP.

34. Q. **Is the FLTCIP a better deal compared to what a private insurance company can offer in long-term care insurance?**

A. Given the current "turmoil" going on in the individual long-term care insurance market (several insurance companies have dropped out of the long-term care insurance market in recent years), the FLTCIP presents a great opportunity to enroll in long-term care insurance for employees and their family members.

35. Q. **What happens if a family member, for example, a parent, is approved for the FLTCIP but the employee leaves federal service. Does the parent keep the coverage?**

A. Yes, the family member keeps the insurance even if the relative leaves federal service.

Estate Planning

36. Q. **Do new and rehired employees need an estate plan?**

A. Every individual – young, middle-aged, close to retirement, or retired – needs an estate plan. Many individuals think only the "rich" need an estate plan to avoid paying estate taxes. But there is more to estate planning than avoiding federal and state estate taxes.

37. Q. **What are the most important parts to a proper estate plan?**

A. The most important parts to a proper estate plan are: (1) Naming proper beneficiaries for accounts in which beneficiaries can be named (see question #1); (2) Having a will or trust for assets in which beneficiaries cannot be named; (3) Having a health care proxy (health care power of attorney) and (4) Having a durable power of attorney for asset management.

38. Q. **Are there any other considerations for new employees in adopting a proper estate plan?**

A. Other considerations for new employees when adopting a proper estate plan include: (1) Naming a guardian for minor children; (2) Funeral and burial directives; and (3) Personal matters that are chosen to be not included in a will or trust.

39. Q. **Where do employees go to get their will or trust, advanced health care directive, and durable power of attorney written?**

A. Employees are encouraged to go to an estate attorney in their resident state to get each of these documents written.

Real Estate

40. Q. **Are there any recommendations for new employees with respect to purchasing real estate?**

A. When looking to purchase their first principal residence such as a house or a condominium, employees should resist the temptation to "over-purchase" and should instead buy within their financial means. When shopping for a mortgage, potential homebuyers should look for a fixed-rate mortgage rather than an adjustable-rate mortgage. Monthly payments for all debts – including a mortgage, student loans, car payments and credit cards – should not exceed 36 percent of monthly gross income.

Federal and State Income Taxes

41. Q. **How many federal and state tax withholdings should new employees claim?**

A. For many new employees, federal service is their first full-time permanent job. These employees will be earning sufficient income to be concerned with having the correct amount of federal and state income taxes withheld from their paychecks. For federal withholding purposes, the IRS on its website, www.irs.gov, has a "W4 Calculator" that will allow an employee to figure the optimal tax withholding number for federal withholding purposes. For state withholding purposes, employees should check with a local tax professional or contact their state revenue department for assistance.

42. Q. **Are there any tax deductions that new employees in particular tend to overlook?**

A. Many new employees think that they have to itemize on their income tax returns in order to save on federal taxes. This is not the case, as there are several deductions that are available to new employees in which one does not have to itemize in order to save on their taxes. These deductions are categorized as "adjustments to income" and include: (1) the student loan interest deduction (interest paid on student loans); (2) contributions to traditional IRAs; and (3) contributions to a health savings account. Employees should check with a tax professional if they have questions.

43. Q. **Are there any tax credits available to new employees?**

A. Among the tax credits available to new employees are: (1) Savers' Tax Credit; (2) foreign tax credit; and (3) Lifetime Learning tax credit. Employees should check with a tax professional if they have questions.

44. Q. **Any suggestions for new employees for reducing income taxes in the current year?**

A. Contributing to the traditional TSP in which contributions are made from one's gross salary is a highly recommended way of saving on current year taxes. If eligible, contributing to a deductible traditional IRA is another way of saving on current year taxes.

Some General Saving and Spending Recommendations, Including Paying Down Debt

45. Q. **What are some of the things new employees should do to save and spend their money in the best possible way?**

A. The first thing employees need to do in establishing a savings program is to set up a personal budget that they will stick to. There are many reasonably priced software programs, such as Quicken, that will generate a household budget.

46. Q. **Are there any suggestions for new employees on to how to start saving?**

A. For many individuals, the hardest thing about saving is simply getting started. The best way for new employees to get started in a saving program is through "automatic" savings via electronic funds transfer (EFT). This is accomplished by having a portion of one's paycheck automatically put into a savings account. For federal employees, this can be done by designating a portion of the employee's salary to go to a Federal Credit Union savings account.

47. Q. **What are some basic rules for successful investing and saving?**

A. Some recommendations for becoming a successful saver are: (1) "Pay yourself first" through automatic deductions from one's paycheck; (2) be realistic – do not save so much that one cannot meet daily obligations. (3) one is never too young or too old to save; "early" savers will be the most successful because they get into the habit of saving at a young age; and (4) attempt to increase one's savings without infringing severely on one's daily lifestyle

48. Q. **What should have a higher priority – saving for the future or paying down debt?**

A. In answering this question, one has to distinguish between the "bad" debt and "good" debt. An example of "bad" debt is credit card debt. An example of "good" debt is a mortgage and even student loans. Many new employees have recently graduated from college and may be saddled with credit card debt and student loans

Paying off credit cards with their high interest rates should have the highest priority for new employees. Student loan debt – while a big burden among many new employees - can be paid back over time, and some of the interest paid is tax-deductible. Also, many federal agencies offer a benefit to newly hired employees. in which the agency will pay back a portion of the employee's student loans. But employees should still save through payroll deductions.

49. Q. **What should be the top savings priorities for new employees?**

A. The savings priorities for new employees should be: (1) building up sufficient "emergency" liquid savings equal to six months of their average monthly expenses; (2) saving at least 5 percent of their gross pay into the Thrift Savings Account; (3) setting aside additional money via payroll deductions that will be used to achieve financial goals in the next five to 10 years, such as purchasing real estate; (4) contributions to an IRA; and (5) saving for a child's college education.

50. Q. **Why should saving for a child's college education have the lowest savings priority for new employees?**

A. The reason that saving for a child's college education has the lowest priority for new employees is that there are numerous ways to pay for college education besides parents' savings, whereas there is only one way to save for retirement, and that is through an employee's contributions to the TSP and to IRAs on a regular basis. New employees must understand retirement savings must start the day the employee starts working. Many federal employees of retirement age have discovered they did not start saving in the TSP and contribute to IRAs as early in their career as they should have. The result is that these employees cannot retire and are forced to work longer than they had initially anticipated.

We hope that these 50 questions and answers will help new and rehired employees navigate the challenging and difficult times many federal employees are currently encountering, and which they will most likely be facing for the foreseeable future. Many employees within five years of retirement make the statement "if I had only taken care of my finances earlier in my career, I would not have the problems I have today." By planning ahead and following some basic rules in a disciplined way, new and rehired federal employees will take a big step toward not having to make that statement in the future.