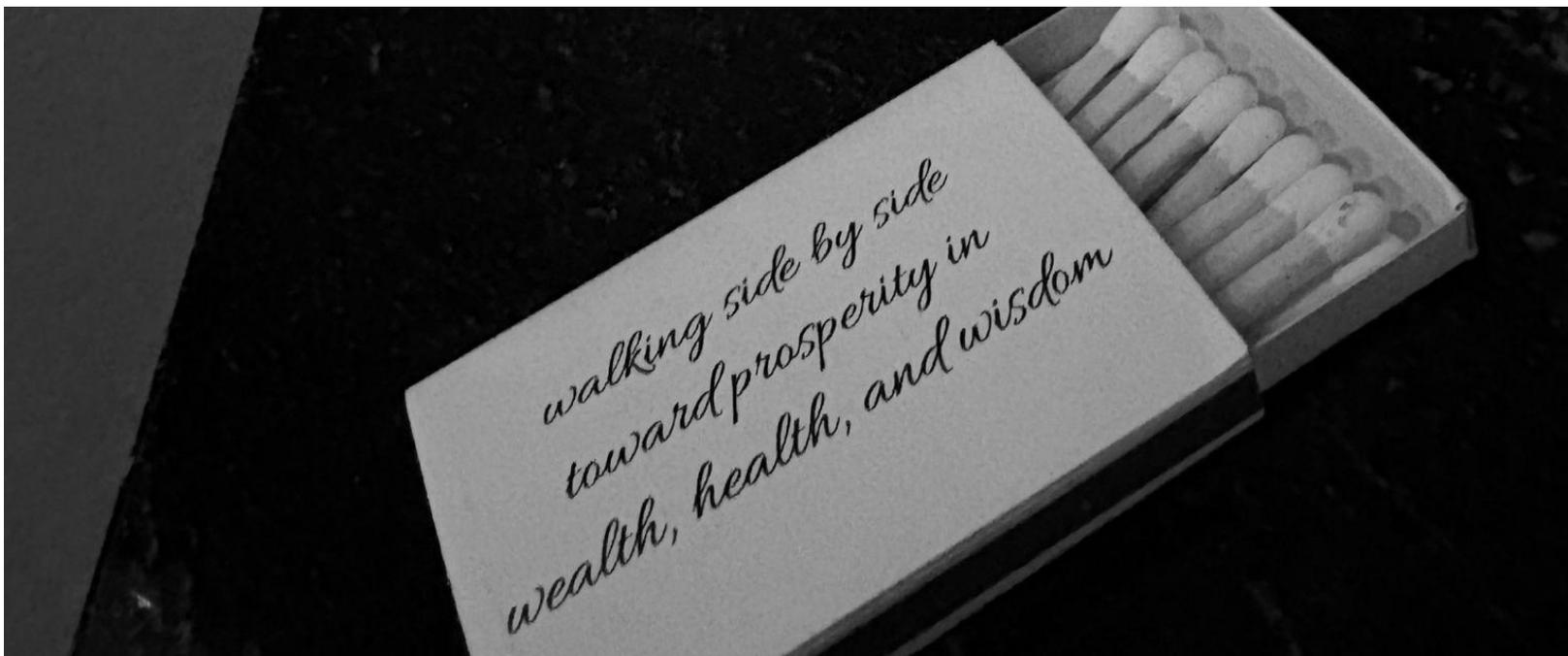


Tempus Wealth Partners

Knowledge in Wealth Advice

Federal Employee Benefits

Education on Achieving Maximum Benefit



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With over a decade of leadership in wealth

advice, Corey D. Boller, CFA is the Founder of Tempus Wealth Partners, LLC. Most recently serving with the C&N wealth advisory team, he previously directed portfolio management and business development initiatives within the Bank of Ann Arbor's Trust & Investment Management Group. Prior to that, Corey led a team of analysts responsible for designing and implementing investment strategies for an institutional investment advisor. Corey most recently served as an investor and Advisory Board member of AntiFragile Music and the Institutional Investor Registered Investment Advisor Institute, leveraging his expertise to help shape the future of the industry. A proud Michigan native, he earned his Bachelor of Business Administration in Accounting from Eastern Michigan University. Beyond this foundation, he has earned the Chartered Financial Analyst® designation, the highest distinction in the investment management industry.



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Executive Summary

Federal employees benefit from having access to one of the most comprehensive and stable benefits packages in the United States. These benefits, the Federal Employees Retirement System, the Thrift Savings Plan, the Federal Employees Health Benefits Program, and the Federal Employees' Group Life Insurance Program form the structure of long-term financial security for nearly three million federal workers.

Consistent with the strength of the benefits, the rules governing these programs are complex. As referenced in official documentation from the U.S. Office of Personnel Management (OPM), Thrift Savings Plan, Federal Retirement Thrift Investment Board, Internal Revenue Service, and Social Security Administration, employees face important decisions that impact retirement income, healthcare affordability, tax exposure, and insurance protection.

This primer provides a clear, structured guide to understanding these core benefits. The objective is simple, to provide education regarding government benefit structures.

I. Introduction

Federal careers attract a variety of driven professionals, understanding how to coordinate the benefits received into a proper plan is essential in providing optimal support. In the District of Columbia, home to the largest concentration of federal employees nationwide, proper planning can amount to over hundreds of thousands of dollars in long-term value. Discounting these values to the present day of the future cash flow, the potential impact is significant.

This primer has determined key guidance from relevant organizations, including:

- OPM - Federal retirement, healthcare benefits, and life insurance programs
- Thrift Savings Plan & Federal Retirement Thrift Investment Board - Investment funds, contribution descriptions, distribution planning
- Social Security Administration - Social Security integration and federal pensions
- Internal Revenue Service - Tax rules impacting retirement contributions and withdrawal terms

II. Federal Employees Retirement System (FERS)

A. Overview (OPM)

The Federal Employees Retirement System consists of three components:

- Federal Employees Retirement System Basic Benefit (Defined Benefit Plans)
- Social Security
- Thrift Savings Plan

OPM defines Federal Employees Retirement System as a “three-tiered retirement system,” designed to provide income security in guaranteed or supported sources.

B. Eligibility & Retirement Types

Within OPM guidelines, eligibility for retirement is determinant based on the combination of age and years in creditable service:

- Immediate Retirement (including various age and service combinations)
- Early Retirement (with agency-specific authorities)
- Deferred Retirement (a minimum of five years of service)
- Disability Retirement (medical qualification, medical and psychiatric advance directives are encouraged when monetary incentives are involved)

C. Benefit Calculation

OPM specifies that Federal Employees Retirement System pensions are calculated using:

- The three year high average salary
- Number of years of creditable service
- A standard multiplier (with a higher multiplier for certain employees)

The salary raises most frequently distributed in the final years of service can lead to increased pension income within this formula.

D. Cost-of-Living Adjustments (COLAs)

OPM administers annual cost of living adjustments for Federal Employees Retirement System annuitants, these figures will differ from inflation rates and

vary on the level of inflation. Those in or nearing retirement have been known to underestimate how cost of living adjustments impact the long-term purchasing power. An important consideration to keep in mind, Federal Employees' Retirement System retirees under age 62 generally do not receive cost of living adjustments and those over age 62 are capped when the inflation measure reads significant.

E. Planning Implications

- Retirement age optimization will maximize the lifetime income received
 - Strategically combining the Federal Employee Retirement System and Social Security has the potential to reduce tax liability and increase after-tax wealth
 - Absent leave time conversion has the potential to increase years of service
-

III. Thrift Savings Plan (TSP)

A. Governance

The Thrift Savings Plan is administered by the Federal Retirement Thrift Investment Board, which ensures fiduciary oversight.

B. Contributions & Matching Rules

According to Thrift Savings Plan guidance:

- Federal employees receive an automatic 1 percent contribution
- Employees earn up to 4 percent in matching contributions
- Total potential agency contribution: 5 percent

Contribution limits follow annual IRS rules.

C. Roth or Traditional Thrift Savings Plan

Per IRS and Thrift Savings Plan documentation:

- Traditional Thrift Savings Plan: Pre-tax contributions; taxable withdrawals
- Roth Thrift Savings Plan: After-tax contributions; tax-free qualified withdrawals

The option will ultimately depend on future expectations.

D. Withdrawals & Retirement Income

The Thrift Savings Plan allows:

- Partial withdrawals
- Monthly installments
- Annuities
- Required minimum distributions (RMDs) starting at the IRS-defined age

A proper retirement income plan will integrate each of the three tiers of the Federal Employee Retirement System.

IV. Federal Employees Health Benefits (FEHB)

A. Overview (OPM FEHB Resources)

The Federal Employees Health Benefits Program provides access to nationwide health plans, including:

- Fee-for-service plans
- Health Maintenance Organizations
- High-deductible plans with health savings accounts

B. Eligibility & Enrollment

OPM outlines:

- Eligibility for employees and eligible family members
- Annual Open Season for required adjustments
- Special enrollment periods for qualifying life event

C. Federal Employees Health Benefits in Retirement

One of the most powerful features of Federal Employee Health Benefits is the ability to continue coverage in retirement when:

- You retire on an immediate annuity
- You have been continuously enrolled in Federal Employee Health Benefits for five years prior to retirement

This rule substantially reduces healthcare costs in retirement.

D. Cost Considerations

The premiums are split between the government and the employee. OPM publishes annual premium tables to allow employees to compare plans.

V. Federal Employees' Group Life Insurance (FEGLI)

A. Program Structure (OPM Federal Employees' Group Life Insurance Handbook)

Federal Employees' Group Life Insurance consists of:

- Basic Insurance (automatically distributed)
- Optional Insurance (A, B, and C selections)

B. Premiums & Age Bands

OPM documentation demonstrates that Federal Employees' Group Life Insurance premiums escalate every five years based on age brackets. The cost escalation is primarily driven by the optional coverages. For many employees, Federal Employees' Group Life Insurance becomes significantly more expensive later in a career.

C. Federal Employees' Group Life Insurance in Retirement

At retirement, employees choose among:

- 75 percent reduction
- 50 percent reduction
- No reduction

This selection impacts both premiums and the amount of coverage levels.

D. Planning Implications

Federal Employees' Group Life Insurance is cost-effective depending on the timeline and success you have earned in your career

- Private term insurance is often cheaper at later ages
- Life insurance should align with dependents, debt, and income protection needs

VI. Social Security Integration

A. Role in Federal Employees' Retirement System (Social Security Administration)

Social Security Administration administers Social Security benefits, forming the second tier of the Federal Employees' Retirement System. Claiming age significantly impacts lifetime income.

B. Windfall Elimination Provision & Government Pension Offset

These will both affect employees with Civil Service Retirement System service or non-covered pension income. The Social Security Administration provides formula details that should be incorporated into retirement decisions.

VII. Coordinating All Four Benefits

A complete wealth plan will align:

- Pension start dates
- Thrift Savings Plan withdrawal timing
- Social Security claiming strategies
- Federal Employee Health benefit and Medicare enrollment
- Federal Employees' Group Life Insurance termination or replacement
- Implications for tax strategy over the long term

Integrated thoughtful wealth plans have been shown to increase lifetime retirement income by 10–20 percent or more.

VIII. Common Mistakes Federal Employees Make

- Delaying Thrift Savings Plan contributions and missing employer matching
- Misallocation or alignment of Thrift Savings Plan investments
- Disregarding the Federal Employees' Health Benefit five-year rule prior to retirement
- Retiring prior to critical service milestones
- Carrying Federal Employees' Group Life Insurance longer than otherwise cost-effective

In Conclusion

Your federal benefits are unique, and incredibly valuable.

Maximizing them requires early, informed planning. By coordinating the Federal Employees Retirement System, Thrift Savings Plan, Federal Employees Health Benefits, and Federal Employee Group Life Insurance with your goals, you can build a secure and flexible retirement plan that leverages each component of the federal system.

Knowledge is essential in making the most of your wealth.

Appendix: Referenced Government Authorities

U.S. Office of Personnel Management (OPM): FERS, FEHB, FEGLI rules

Thrift Savings Plan (TSP) / Federal Retirement Thrift Investment Board (FRTIB):
investment guidance, contributions, withdrawals

Social Security Administration (SSA): Social Security, WEP/GPO rules

Internal Revenue Service (IRS): tax rules for retirement plans and distributions