The FERS Special Annuity Supplement

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Letter carriers retiring under the Federal Employees Retirement System (FERS) may be entitled to an additional annuity, known as the Special Annuity Supplement or Retiree Annuity Supplement. This supplement often is mistakenly called a "Social Security Supplement"—however, it is paid by the Office of Personnel Management (OPM), not by Social Security. And Social Security has no role in deciding whether a retiree is entitled to it.

The Special Annuity Supplement is just part of your annuity. It is not paid separately from your annuity—you will receive one check or deposit that includes the combined amount of your basic benefit and the supplement. There is no separate or additional process to apply for the supplement. OPM will determine automatically if you are entitled to the supplement once you apply for retirement.

> **"As always is the case with retirement, there is a personal balance to strike between time and money."**

To be eligible for the Special Annuity Supplement, a retiring employee must meet either their Minimum Retirement Age (MRA) with 30 years of service, or age 60 with 20 years of service. An individual's MRA depends on their year of birth. Those born in 1970 and after have an MRA of 57. Individuals aged 62 or older do not receive the supplement. However, those retiring at age 62 or older with at least 20 years of service will receive a larger basic benefit, because the factor used in the calculation will be 1.1 percent instead of 1 percent (a 10 percent increase).

Those electing a deferred retirement, a disability retirement or an MRA+10 retirement are not eligible for the annuity supplement.

The annuity supplement is paid until the earlier of the last day of the month in which you reach age 62, or the last day of the month before the first month for which you would be entitled to actual Social Security benefits.

The formula that OPM uses to calculate the amount of an individual retiree's Special Annuity Supplement is complex. There is a simplified calculation that can be used to estimate the supplement, but it is not recommended due to its inaccuracy. To request an annuity estimate, head to liteblue.usps.gov or call the Human Resources Shared Service Center at 877-477-3273. Remember that this estimate will get you in the ballpark, but it will not be perfect. Always leave some room in your budget when planning. The Retirement Department occasionally receives calls from retirees who had expected the Postal Service estimate to be perfectly accurate.

The FERS annuity supplement is subject to an earnings test similar to that of Social Security. The supplement is reduced if you earn more than the exempt amount of earnings in the immediately preceding year. In 2024, the exempt amount is $22,320. The supplement is reduced by $1 for every $2 of earnings over the exempt level. If the supplement is reduced to zero, there is no additional impact. The basic benefit is also not reduced if earnings wipe out the supplement.

The reduction to the supplement is applied in the year after the earnings limit was exceeded. This means that if you exceed the earnings limit in the year you turn 62, the following year there will be no special annuity supplement to be reduced, and therefore no penalty or loss.

Earnings for the year consist of the sum of wages for service performed in the year, plus all net earnings from self-employment for the year, minus any net loss from self-employment for the year. Income from investments, withdrawals from Thrift Savings Plan accounts, pensions (including the Special Annuity Supplement), etc., are not included in determining whether the earnings limit has been exceeded. If you receive a supplement, you must report your earnings to OPM. You will receive instructions on how to report your earnings once you begin receiving the annuity supplement.

There are no cost-of-living adjustments for the Special Annuity Supplement. What you get is what you get. This fact becomes more important the longer you are eligible for the supplement and the higher inflation is. As we've seen recently, inflation can spike and eat away at our purchasing power fairly quickly. Even low inflation for a few years will eat away at purchasing power. On the other hand, time is a commodity that we can't buy more of. As always is the case with retirement, there is a personal balance to strike between time and money.