



Benefits Administration Letter

Number 14 - 109

Date: 08/08/2014

Subject: Phased Retirement Instructions for Personnel and Payroll Offices

Background: OPM published final regulations on August 8, 2014, implementing phased retirement. Phased retirement was signed into law on July 6, 2012, and it allows certain employees who already meet specific age and service requirements to elect to transition into retirement. Employees in a phased retirement status continue to work on a part-time basis and draw partial retirement benefits during employment. An employee in phased retirement status is still an employee for all purposes unless otherwise specified in law or regulation. The employing agency continues to maintain the employee's Federal insurance coverage. The employee may continue to contribute to the Federal Thrift Savings Plan. If the employee dies while in phased retirement status, death benefits are based on CSRS and FERS provisions for deceased employees. While most employees in phased retirement status will transition into full retirement status, some employees in phased retirement status may elect to opt out of phased retirement status and return to the status of a regular employee. Phased retirement is not an employee right. Elections to enter into, or opt out of, phased retirement status require the mutual consent of both the employee and the employing agency.

OPM will accept applications for phased retirement starting on the 90th day after publication of the final rule.¹ The regulations are effective Thursday, November 6, 2014. Agencies are encouraged to implement and utilize phased retirement as one of several workforce planning tools available to them.

The phased retirement statutory provisions can be found at 5 U.S.C. 8336a and 5 U.S.C. 8412a and the regulations can be found at 5 CFR part 831, subpart Q, and 5 CFR part 848.

This BAL will be followed by several other BALs covering related topics. For example, OPM will release BALs providing processing action guidance, announcing the availability of the phased retirement election form and the edited CSRS and FERS applications as soon as they are available and the taxation of phased retirement annuities.

¹ The Employee in Phased Retirement Status Election forms referenced in this BAL have not yet been published. The applications for immediate retirement under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) (SF 2801 and SF 3107) will have special instructions for completing the respective applications for the purposes of entering phased retirement.

Kenneth J. Zawodny, Jr.
Associate Director
Retirement Services

Section 1: What is Phased Retirement?

Phased Retirement is a human resources tool for Federal agencies to retain employees who would have fully retired, but who are willing to continue in federal service for a period of time on a part-time schedule while engaging in mentoring. Employees participating in phased retirement will be paid for the part-time service they continue to provide the government and will receive additional credit for that service toward their full retirement. These employees will also begin receiving partial annuity payments, pro-rated based on the portion of the workweek that they are not scheduled to work.

Phased retirement is designed to assist agencies with knowledge management and continuity of operations in the short term, but also to prepare the next generation of experts for success. Agencies may use phased retirement as a tool to manage their workforce, promote best practices and share knowledge with less experienced employees. The main purpose of phased retirement is to enhance the mentoring and training of the employees who will be filling the positions or taking on the duties of more experienced retiring employees, but it may also be used to provide employees with the opportunity to share experiences across sections or divisions of an agency. Phased retirement is not an employee entitlement. Agencies may choose to utilize phased retirement when appropriate. Entry into phased retirement is strictly voluntary and it requires mutual agreement between the employee and the agency.

How are other employee benefits affected by phased retirement?

An employee in phased retirement status is considered an employee for purposes of the Federal Employees Group Life Insurance (FEGLI), Federal Long Term Care Insurance Program (FLTCIP), Federal Flexible Spending Accounts Program (FSAFEDS), Federal Employees Dental and Vision Insurance Program (FEDVIP), Federal Employees Health Benefits (FEHB) and Premium Conversion. Employees in phased retirement status continue to be covered under these programs as an employee during phased retirement status. Please note that an election of phased retirement is not a Qualifying Life Event which would allow benefit changes outside of open season.

For FEHB and FEGLI purposes, an employee in phased retirement status is treated the same as when he or she was working full-time. This means that an employee in phased retirement status will pay the employee share of the FEHB premium as if he or she were a full-time employee, not a part-time employee. If an employee in phased retirement status dies in service, the Basic insurance amount would be their full-time salary rate and, if elected, the Additional Optional life insurance would be a multiple of his or her full-time salary rate. For more information on the phased retirement and insurance benefits see BAL 14-207 and BAL 14-208

An employee in phased retirement status will earn annual and sick leave in the same manner as a regular part-time employee. All employees in phased retirement status will have at least 20 years of service and therefore will be earning leave at the rate of 1 hour of annual leave for each 10 hours in a pay status and 1 hour of sick leave for each 20 hours in a pay status. An employee in phased retirement status with a 50% working percentage (i.e., 40 hours per pay period) will earn 4 hours of annual leave and 2 hours of sick leave per pay period.

An employee in phased retirement status will also be able to continue to contribute to the Thrift Savings Plan as an employee. Withdrawal options from the Thrift Savings Plan for separated employees will not be available to the employee during phased retirement status because the employee has not separated from Federal service. For more information, see the TSP's website at www.tsp.gov.

1.A. Eligibility

Participation in phased retirement is voluntary and requires the consent of the employee and the agency.

In order to participate in phased retirement, an individual must have been employed on a full-time basis for not less than the 3-year period preceding the effective date of his or her entry into phased retirement status. The employee must also be eligible for immediate retirement under specific provisions of CSRS or FERS.

- Under CSRS, the employee must be at least age 55 and must have performed at least 30 years of service, or must be at least age 60 and must have performed at least 20 years of service.
- Under FERS, the employee must be at least the minimum retirement age (MRA, Age 55-57, depending on your year of birth) and must have performed at least 30 years of service, or must be at least age 60 and must have performed at least 20 years of service.

Not all employees who meet these requirements, however, are eligible to participate in phased retirement. Employees who qualify for retirement under the retirement provisions for law enforcement officers, firefighters, nuclear materials couriers, air traffic controllers, members of the Capitol Police, members of the Supreme Court Police, and customs and border protection officers are excluded from participation in phased retirement. (Customs and border protection officers who were employed before July 6, 2008, and who are exempt from mandatory separation, however, are eligible to participate in phased retirement.) Also, employees covered by a special work schedule authority that does not allow for a regularly recurring part-time schedule, such as a firefighter covered by 5 U.S.C. 5545b or a nurse covered by 38 U.S.C. 7456 or 7456A, are not eligible to participate in phased retirement.

1.B. How Phased Retirement Works

An employee electing phased retirement status continues to work as an employee of the Federal government but under a part-time work schedule. At the same time, the employee receives an annuity benefit equal to a fraction of the annuity that would have been paid had the employee fully retired, except that annuity is computed without credit for unused sick leave and without a reduction for survivor annuity. FERS employees considering phased retirement should note that the FERS annuity supplement is not payable during phased retirement status.

The number of hours an employee in phased retirement status must work is based on the working percentage. Currently, there is only one working percentage - 50 percent - but other working

percentages may be permitted by OPM in future regulations. With the current 50 percent working percentage, an employee in phased retirement status will be receiving half of his or her pay and about half of the annuity he or she would have received had he or she retired rather than gone into phased retirement status.

The annuity is based on the total creditable service the employee has performed up until the effective date of the phased retirement election, and the high-3 average pay, computed up to the effective date of the phased retirement election. Deposits for post-1956 military service must be paid before the phased retirement election becomes effective. Any deposits owed for civilian service must also be paid before OPM completes the processing of the employee's phased retirement application.

1.C. Phased Retirement Versus Reemployed Annuitant

Employees in phased retirement status are permanent employees on a part-time work schedule who are also paid an annuity. They do not separate from federal employment in order to participate in phased retirement. They are career federal employees with the same rights as other employees.

Reemployed annuitants are individuals who have separated from federal service for retirement who subsequently return to Federal employment. They continue to receive their full annuity benefit during their reemployment but their salary is offset by the amount of annuity attributable to the period of reemployment. Reemployed annuitants serve at the will of the agency and can be separated from employment at any time.

There is more information about reemployed annuitants in the CSRS and FERS Handbook for Personnel and Payroll Offices in chapter 100.

Section 2: Employee's Pay During Phased Retirement Status

Employees who elect phased retirement continue to work at the currently available working percentage of 50 percent of a full-time work schedule and their gross pay per pay period will reduce by half. Gross pay from the agency continues to be subject to the employee's withholdings such as FEHB, FEGLI, FEDVIP, FLTCIP, TSP, Medicare tax, Federal tax, State tax, Civil Service Retirement System (CSRS) deductions, Federal Employees Retirement System (FERS) deductions, etc. The FEHB and FEGLI premiums are the same amount that is withheld from an employee working a full-time work schedule. Separate insurance BALs will be published providing more information.

Section 3: Phased Retirement Annuity Computation

3.A. Basic Computation Before Any Reductions

A CSRS phased retirement annuity is derived from the CSRS General Formula:

- 1.5 percent x high-3 average pay x 5 years of creditable service, plus
- 1.75 percent x high-3 average pay x 5 years of creditable service, plus
- 2.0 percent x high-3 average pay x remaining years/months of creditable service

If an employee has performed at least 5 years of service as a congressional employee or has performed certain service as a customs and border protection officer (for those customs and border protection officers who may qualify to participate in phased retirement), 2.5 percent may be applied to that congressional and/or CBPO service in lieu of 1.5 percent, 1.75 percent, and/or 2.0 percent.

A FERS phased retirement annuity is derived from the FERS annuity formula:

- 1.0 percent x high-3 average pay x years/months of creditable service, or
- 1.1 percent x high-3 average pay x years/months of creditable service (for employees who are age 62 or older when they enter phased retirement status and who have performed at least 20 years of creditable service.

If an employee has performed at least 5 years of service as a congressional employee or has performed certain service as a customs and border protection officer (for those customs and border protection officers who may qualify to participate in phased retirement), the phased retirement annuity is derived from a modified formula:

- 1.7 percent x high-3 average pay x years/months of congressional or CBPO service nte 20 years, plus
- 1.0 percent x years/month of remaining creditable service.

High-3: Under CSRS or FERS the high-3 is computed as of the day before the effective date of the phased retirement election.

Total Creditable Service: Total creditable service used in the phased retirement annuity is the amount of the employee's creditable service as of the day before the effective date of the phased retirement election. Unused sick leave is not credited in the phased retirement calculation because the unused sick leave continues to be available for use during the employment with the agency.

3.B. Reductions

Under CSRS, reductions to the annuity computed from the formula described above will be as follows:

- Reduction for unpaid deposit for pre-October 1, 1982, non-deduction service. This reduction equals 10 percent of the unpaid deposit balance as of the effective date of phased retirement status. This reduction is made before the phased retirement percentage reduction.
- Phased retirement percentage reduction. The phased retirement percentage equals the difference between 100 percent and the working percentage. Currently, employees may only elect a working percentage of 50 percent during phased retirement; therefore, the phased retirement reduction is 50 percent. When additional options for working percentages become available for employees, the phased retirement percentage will equal the difference between 100 percent and whatever working percentage the employee elected.
- Reduction for unpaid redeposit for refunded service that ended before March 1, 1991. This reduction is based on the redeposit balance as of the effective date of phased retirement status and the present value factor corresponding to the age of the employee as of that effective date. The reduction equals the result of the redeposit balance divided by present value factor, rounded to the higher dollar. This reduction is applied after the phased retirement percentage reduction.

Under FERS, if the FERS phased retirement annuity does not have a CSRS component, there will only be the phased retirement percentage reduction. If the FERS phased retirement annuity has a CSRS component, the CSRS reductions explained above will apply to the CSRS component and the phased retirement percentage reduction will apply to the FERS component.

3.C. CSRS Phased Retirement Computation Example:

Agency ABC approves Terry's request to enter phased retirement and his phased retirement election is effective on December 14, 2014. Phased annuity is based on the following variables determined as of the effective date of the election:

Annuitant: Terry Jackson	DOB: Aug 1, 1956 (currently age 58) <i>(present value factor for age 58: 236.6)</i>	Hi-3: \$66,858
Creditable service:	11/21/1976 to 11/20/1977 – non-deduction 05/12/1978 to 05/11/1982 – CSRS refunded 02/25/1983 to 12/13/2014 – CSRS paid	
Deposit balance for non-deduction service:	\$1,850.00 (as of 12/14/2014)	
Redeposit balance for refunded service:	\$17,700.00 (as of 12/14/2014)	

Working Percentage / Phased Retirement Percentage: 50 percent / 50 percent

STARTING YR-MO-DY	ENDING YR-MO-DY	COVERED/REFUNDED/ NONDEDUCTION/MILITARY	YRS	MOS	DAYS
1976-11-21	1977-11-20	Non-deduction	1	0	0
1978-05-12	1982-05-11	CSRS Refunded	4	0	0
1983-02-25	2014-12-13	CSRS	31	9	19
TOTAL CIVILIAN/MILITARY			36	9	19
UNUSED SICK LEAVE CREDIT			N/A		
TOTAL CREDITABLE SERVICE			36	9	19
TOTAL SERVICE FOR COMPUTATION PURPOSES			36	9	
High-3 Average Pay				\$66,858	
Retirement Factor (36) yrs. (9) mos. (See section 50C1.1-1, Chart 4)				X .697500	
Unreduced CSRS Annuity				\$ 46,633.46	
Reductions are made for:					
1) Non-deposit for service prior to 10-1-1982 (subtract 10% of deposit due)				- \$185.00	
Reduced Annuity				\$ 46,448.46	
2) Phased retirement percentage				X 50%	
Reduced Annuity (Annual Rate)				\$ 23,224.23	
Reduced Annuity (Monthly Rate)				\$ 1,935	
3) Unpaid redeposit for refunded service ending before 3-01-1991					
				\$17,700 ÷ 236.5 = - \$75	
Phased Retirement Gross Monthly Annuity:				\$1,860	

In addition to receiving a phased retirement annuity payment each month, Terry will continue receiving salary based on his continued employment with his agency. Assuming Terry's annual salary on December 13, 2014, is \$69,440 (\$33.27/hour), Terry would start working 40 hours a pay period (50 percent of 80 hours), beginning December 14, 2014, earning \$1,330.80 (before all of the requisite deductions) each pay period.

3.D. FERS Phased Retirement Computation Example:

Agency ABC approves Pat’s request to enter phased retirement and her phased retirement election is effective on December 7, 2014. Her phased annuity is based on the following variables determined as of the effective date of the election:

Annuitant: Pat Maxwell DOB: Apr 8, 1954 (currently age 60) Hi-3: \$66,858

Creditable service: 03/03/1990 to 12/13/2014 – FERS

Working Percentage / Phased Retirement Percentage: 50 percent / 50 percent

STARTING YR-MO-DY	ENDING YR-MO-DY	COVERED/REFUNDED/ NONDEDUCTION/MILITARY	YRS	MOS	DAYS
1990-03-03	2014-12-13	FERS	24	9	11
TOTAL CIVILIAN/MILITARY			24	9	11
UNUSED SICK LEAVE CREDIT			N/A	-	-
TOTAL CREDITABLE SERVICE			24	9	11
TOTAL SERVICE FOR COMPUTATION PURPOSES			24	9	
High-3 Average Pay				\$66,858	
Retirement Factor (24) yrs. (9) mos. (See section 50C1.1-1, Chart 6 or 7)				X .247500	
Unreduced FERS Annuity				\$ 16,547.36	
Reduction are made for:					
1) Phased retirement percentage				X 50%	
Reduced Annuity (Annual Rate)				\$ 8,27368	
Phased Retirement Gross Monthly Annuity				\$689	

Note, no FERS annuity supplement is payable in phased retirement.

In addition to receiving a phased retirement annuity each month, Pat will continue receiving salary based on her continued employment with her agency. Assuming Pat’s annual salary on December 13, 2014, is \$69,440 (\$33.27/hour) and a full-time work schedule is 80 hours a pay period, Pat would start working 40 hours a pay period (50 percent of 80 hours), beginning December 14, 2014, earning \$1,330.80 (before all of the requisite deductions) each pay period.

Section 4: Computing the Composite Annuity when the Employee Transitions to Full

Retirement Status

When an employee in phased retirement status decides to fully retire (and submits an application for a full retirement annuity) the full retirement annuity (the “composite retirement annuity”) will equal the sum of:

- The phased retirement annuity, updated by any cost-of-living adjustments (COLA) that were applied to the phased retirement annuity, plus
- The amount of the final phased portion of the full retirement annuity.

The final phased portion of the full retirement annuity equals a percentage of the full annuity the employee would have received had the employee not elected phased retirement and, instead, continued working full-time until separation for full retirement. The final phased portion includes credit for unused sick leave.

The composite annuity is subject to a reduction for a survivor annuity election, if applicable. It will also be subject to the actuarial reduction for unpaid redeposit for CSRS refunded service that ended before March 1, 1991, if applicable.

The commencing date of the composite annuity is the day after the employee in phased retirement status separates from Federal service. Regardless of when the composite annuity is effective, it will be subject to the full COLA whenever the next COLA becomes effective. For example, if an employee in phased retirement status separates on October 31, 2015, to receive full retirement, the composite annuity is effective November 1, 2015, and if the composite annuity is subject to a COLA that takes effect December 1, 2015, the full COLA will apply to the composite annuity, it will not be prorated by the number of months the composite annuity had been in effect before the effective date of the COLA.

4.A. Updating the Phased Retirement Annuity by COLAs

One portion of the composite annuity is the phased annuity, updated by all COLAs that applied to the phased retirement annuity during phased retirement status. The COLAs are applied to the original phased retirement annual annuity rate after the application of the reductions for unpaid deposit and the phased retirement percentage. If the employee in phased retirement status enters full retirement status on the same day as the effective date of a cost-of-living adjustment (that is, if the effective date of the composite annuity is the same day as the effective date of a COLA, which is usually December 1st), that cost-of-living adjustment is applied to increase the phased retirement annuity used in the composite annuity computation.

4.B. Computing the Final Phased Portion of the Full Retirement Annuity

Basic Computation Before Any Reductions

The final phased portion of the CSRS full retirement annuity is derived from the CSRS General Formula:

- 1.5 percent x high-3 average pay x 5 years of creditable service, plus
- 1.75 percent x high-3 average pay x 5 years of creditable service, plus
- 2.0 percent x high-3 average pay x remaining years/months of creditable service

If an employee has performed at least 5 years of service as a congressional employee or has performed certain service as a customs and border protection officer (for those customs and border protection officers who may qualify to participate in phased retirement), 2.5 percent may be applied to that congressional and/or CBPO service in lieu of 1.5 percent, 1.75 percent, and/or 2.0 percent.

The final phased portion of the FERS full retirement annuity is derived from the FERS annuity formula:

- 1.0 percent x high-3 average pay x years/months of creditable service, or
- 1.1 percent x high-3 average pay x years/months of creditable service (for employees who are age 62 or older when they enter full retirement status and who have performed at least 20 years of creditable service.

Note, if the employee entered phased retirement status before age 62 and entered full retirement status after turning age 62, the final phased portion of the FERS full annuity may be computed using the 1.1 percent accrual rate (if total creditable service is equal to or greater than 20 years) even though the phased retirement portion of the full retirement annuity was computed using the 1.0 percent accrual rate.

If an employee has performed at least 5 years of service as a congressional employee or has performed certain service as a customs and border protection officer (for those customs and border protection officers who may qualify to participate in phased retirement), the final phased portion of the full retirement annuity is derived from a modified formula:

- 1.7 percent x high-3 average pay x years/months of congressional or CBPO service nte 20 years, plus
- 1.0 percent x years/month of remaining creditable service.

High-3: Under CSRS or FERS the high-3 average pay is computed as of the day the employee separates for full retirement. The high-3 average salary period may occur during any three-consecutive years of the employee's career. For purposes of this high-3 average pay calculation, the employee in phased retirement status is considered to have worked full-time during phased retirement status.

Total Creditable Service: The total creditable service is based on the employee's entire career. It also includes credit for the employee's unused sick leave balance at the time of separation for full retirement.

The amount of sick leave that gets credited in the computation of the final phased portion of the composite annuity equals the actual amount of sick leave the employee has to his or her credit at the time of retirement divided by the employee's working percentage. Sick leave expressed in hours is converted to calendar time using the appropriate conversion chart (the 2087 chart for most executive branch employees) before it gets divided by the working percentage. For example, if an employee in phased retirement status fully retires with 1020 hours of unused sick leave credit, the amount of sick leave used in the final phased portion of the composite retirement is determined as follows:

- 1020 hours converts to 5 months and 26 days of calendar time using the 2087 chart.
- 5 months and 26 days divided by .50 (50 percent) equals 11 months and 22 days, computed as follows:
 - 5 months divided by .50 equals 10 months
 - 26 days divided by .50 equals 52 days, which equals 1 month and 22 days (52 days minus 30 days (30 days equals 1 month) equals 22 days)
 - 10 months plus 1 month plus 22 days equals 11 months and 22 days.

Reductions to the Final Phased Portion

Under CSRS, reductions to the annuity computed from the formula described above will be as follows:

- Reduction for unpaid deposit for pre-October 1, 1982, non-deduction service. This reduction equals 10 percent of the unpaid deposit balance as of the effective date of composite annuity. This reduction is made before the working percentage reduction.
- Working percentage reduction. Currently, employees may only elect a working percentage of 50 during phased retirement; therefore, the working percentage reduction is 50 percent. When additional options for working percentages become available for employees, the working percentage reduction will equal the working percentage the employee elected.

Under FERS, if the FERS full retirement annuity does not have a CSRS component, there will only be the working percentage reduction. If the FERS full retirement annuity has a CSRS component, the CSRS reductions explained above will apply to the CSRS component and the working percentage reduction will apply to the FERS component.

4.C Composite Annuity and Reductions to the Composite Annuity

The composite annuity equals the sum of the final phased portion of the full retirement annuity, after reductions, and the phased retirement annuity updated by COLAs. The composite annuity is subject to a reduction for survivor annuity election, if applicable, and under CSRS, the actuarial reduction (updated for COLAs) for unpaid refunded service that ended before March 1, 1991, if applicable.

TOTAL CIVILIAN/MILITARY		38	10	16
UNUSED SICK LEAVE CREDIT(6m ÷ .50 = 12m = 1y)		1	0	0
TOTAL SERVICE FOR COMPUTATION PURPOSES		39	10	

Step 1 – Update Initial Phased Annuity By COLAs Applied to Phased Annuity During Phased Retirement Status		
<ul style="list-style-type: none"> ○ Original Phased Retirement Annuity: \$23,224.23 (effective 12/14/2014) ○ 12/01/15: \$23,224.23 plus 2.1% = \$23,711.94 ○ 12/01/16: \$23,711.94 plus 2.3% = \$24,257.31 		\$24,257.31
Step 2 – Compute Final Phased Portion of Full Retirement Annuity		
High-3 Average Pay:		\$72,210
Retirement Factor (39) yrs (10) mos (See section 50C1.1-1, Chart 4)		X .759167
Unreduced Final Phased Portion of Full Retirement Annuity		\$54,819.45
Reductions Made for		
1) Non-deposit for service prior to 10-1-1982 (Subtract 10% of deposit due)		- \$196.50
Reduced Annuity		\$54,622.95
2) Working percentage		X 50%
Final phased portion of full retirement Annuity		\$27,311.48
Step 3 – Compute Full Retirement Annuity (Composite Annuity)		
Sum of Step 1 and Step 2 Results: (\$24,257.31 + \$27,311.48)		\$51,568.79
Reductions are made for:		
1) Survivor Election		
Survivor Base Selected by retiree: \$51,568.79*		
Amount up to \$3600: $\underline{\$3,600.00} \times .025 =$ \$90.00		- \$4,886.88
Amount over \$3,600: $\underline{\$47,968.79} \times .10 =$ $\underline{+ \$4,796.88}$		
		\$4,886.88
Full Retirement Annuity Reduced for Survivor Election		\$46,681.91
Monthly Rate (Annuity reduced for survivor election divided by 12)		\$3,890
2) Unpaid redeposit for refunded service ending before 3-01-1991		
<ul style="list-style-type: none"> ○ Unpaid Redeposit reduction from phased retirement: \$75 (12/14/2014) ○ 12/01/15: \$75 plus 2.1% = \$76.58 = \$77.00 ○ 12/01/16: \$77 plus 2.3% = \$78.77 = \$79 		- \$79.00
Full Retirement (Composite) Gross Monthly Annuity Payable		\$3,811

*Gross monthly survivor annuity equals $\$51,568.79 \times 55\% = \$28,362.83 \div 12 = \$2,363$

The composite annuity is effective January 1, 2017. If a COLA is authorized on December 1, 2017, the composite annuity will be increased by the full COLA amount.

4.E. FERS Composite Annuity Computation Example

Pat elected phased retirement benefits effective December 14, 2014. Pat continued to work while in phased retirement status until she decided to separate and take full retirement. She was separated for retirement from her agency on December 31, 2016. Pat elected the maximum survivor annuity for her husband on her application for immediate retirement. Her full retirement composite annuity began on January 1, 2017. The composite annuity is based on the following variables:

Annuitant: Pat Maxwell DOB: Apr 8, 1954 (now age 62) Hi-3: \$72,210

Creditable service: 03/03/1990 to 12/31/2016 – FERS

Unused sick leave balance: 733 hours (4m 7d)
Amount credited in computation is $4m\ 7d \div .50 = 8m\ 14d$

Working Percentage / Phased Retirement Percentage: 50 percent / 50 percent

COLAs applied to Phased Retirement Annuity: 12/01/16 – 2.3%

Starting YR-MO-DY	Ending YR-MO-DY	Covered/Refunded/Non-deduction/Military	Yrs	Mos	Days
1990-03-03	2016-12-31	FERS	26	9	28
Total Civilian/Military			26	9	28
Unused Sick Leave Credit (733 hrs = 4m 7d divided by .50 = 8m 14d)				8	14
Total Service for Computation Purposes			27	6	

<p>Step 1 – Update Initial Phased Annuity By COLAs Applied to Phased Annuity During Phased Retirement Status</p> <ul style="list-style-type: none"> o Original Phased Retirement Annuity: \$8,273.68 (effective 12/14/2014) o 12/01/15: no cola applied – phased retiree is under age 62 o 12/01/16: \$8,273.68 plus 2.3% = \$8,463.97 	\$8,463.97
Step 2 – Compute Final Phased Portion of Full Retirement Annuity	
High-3 Average Pay:	\$72,210
Retirement Factor (27) yrs. (6) mos. (See section 50C1.1-1, Chart 6 or 7)	X .302500

Unreduced Final Phased Portion of Full Retirement Annuity	\$21,843.53
Reductions Made for	
1) Working percentage	X 50%
Final phased portion of full retirement Annuity	\$10,921.77
Step 3 – Compute Full Retirement Annuity (Composite Annuity)	
Sum of Step 1 and Step 2 Results: (\$8,463.97 + \$10,921.77)	\$19,385.74
Reductions are made for:	
1) Survivor Election	
Survivor Base Selected by retiree: \$19,385.74* x 10% = \$1,938.57	- \$1,938.57
Full Retirement Annuity Reduced for Survivor Election	\$17,447.17
Full Retirement (Composite) Gross Monthly Annuity Payable (Annuity reduced for survivor election divided by 12)	\$1,453

*Gross monthly survivor annuity equals $\$19,385.74 \times 50\% = \$9,692.87 \div 12 = \$807$

Section 5: Service Credit Rules

5.A. Employees in Phased Retirement Status who Elect Full Retirement Status

Civilian Service Credit for Deposits and Redeposit

Employees who owe deposits for Federal civilian service during which no retirement deductions were performed or redeposits for periods of service during which deductions were withheld but were later refunded, must complete payment for those deposits and/or redeposit before the phased retirement annuity is finalized. If full payment is not made by separation, OPM will send the employee in phased retirement status a deposit/redeposit letter when it processes the application for phased annuity give the employee in phased retirement status 30 days to pay the deposit and/or redeposit in a lump-sum payment.

It is important to note that if these deposits and redeposits are not paid, the employee in phased retirement status will not be able to pay them if and when he or she elects to enter full retirement status.

If an employee does not pay a redeposit for refunded service that ended before March 1, 1991, the refunded service will be credited in the computation of the phased retirement annuity and the phased retirement annuity will be subject to an actuarial reduction based on the amount of the redeposit and the age of the employee as of the date the phased retirement annuity commences. The refunded service will also be credited in the computation of the composite annuity when the employee enters full retirement status and the composite annuity will be subject to an actuarial reduction. The amount of the actuarial reduction applied to the composite annuity is based on the original actuarial reduction amount applied to the phased retirement annuity, updated by cost-of-living adjustments that were applied to the phased retirement annuity.

Post-1956 Military Deposits

Employees who elect phased retirement who owe a deposit for active duty military service performed after December 31, 1956 must complete payment on the deposit before their phased retirement annuity commences.

Please note that there will not be an opportunity to pay this deposit after the phased retirement annuity begins.

5.B. Employees in Phased Retirement Status who Elect to Opt Out of Phased Retirement Status and Return to Regular Employee Status

Credit for the Period Employee was in Phased Retirement Status in Future Annuity

If an employee in phased retirement status elects to opt-out of phased retirement status and return to regular employee status, the period of service the employee performed during phased retirement status will be credited as part-time service in the computation of a future annuity benefit. The amount of part-time credit allowed in the calculation of the part-time proration factor for the time the employee was in a phased retirement status is based on the employee's working percentage. No credit will be given in the part-time proration factor computation for any time the employee worked in excess of his or her working percentage.

Civilian Service Credit for Deposits and Redeposit

Employees who opt-out of phased retirement status and return to regular employee status may pay any service credit deposit that they may owe for non-deduction service or any redeposit they may owe for refunded service ending on or after March 1, 1991, before they retire. If they have not completed any of those service credit deposits before they retire, they may pay the deposits/redeposit in full before OPM completes the processing of their application for immediate retirement.

Employees who opt-out of phased retirement status will not have an opportunity to complete a redeposit for unpaid refunded service that ended before March 1, 1991. The refunded service will be credited in the computation of any annuity the employee becomes entitled to in the future and that annuity will be subject to an actuarial reduction that will be based on the amount of the actuarial reduction that was applied to the phased retirement annuity, updated by COLAs that were applied to the phased retirement annuity and by all COLAs authorized after the phased retirement annuity terminated and before the future annuity begins.

Post-1956 Military Deposits

Employee who opt-out of phased retirement status and return to regular employee status will be able to pay a military deposit for post-1956 military service to the employing agency before the employee separates for retirement.

5.C. Employees who Die While in Phased Retirement Status

Crediting the Period Employee was in Phased Retirement Status in Survivor Annuity

If an employee in phased retirement status dies, survivor benefits will be determined under the rules for deceased employees. If a spouse is entitled to a survivor annuity, the period of service the employee performed during phased retirement status will be credited as part-time service in the computation of the survivor annuity benefit. The amount of part-time credit allowed in the calculation of the part-time proration factor for the time the employee was in a phased retirement status is based on the employee's working percentage. No credit will be given in the part-time proration factor computation for any time the employee worked in excess of his or her working percentage.

Civilian Service Credit for Deposits and Redeposit

If an employee in phased retirement status dies, the spouse may pay any service credit deposit that the employee may have owed for non-deduction service, or any redeposit the employee may have owed for refunded service ending on or after March 1, 1991. If the employee in phased retirement status had not completed any of those service credit deposits, OPM will provide the surviving spouse with an opportunity to pay the deposits and/or redeposit.

The redeposit for refunded service that ended before March 1, 1991, is considered paid and the spouse will receive credit for that refunded service in the computation of survivor annuity without any further adjustment.

Post-1956 Military Deposits

If an employee in phased retirement status dies, the spouse will be able pay or complete the military deposit the employee may have owed for the post-1956 military service. The spouse must make the deposit to the employing agency.

FERS Basic Employee Death Benefit Calculation

If a FERS employee in phased retirement status dies and the basic employee death benefit is payable to a spouse or former spouse, the amount of the basic employee death benefit is computed as though the employee had been working a full-time work schedule during phased retirement status.

5.D. Example of Survivor Annuity Calculation When Employee Dies while in Phased Retirement Status

Jerry elected phased retirement benefits effective December 14, 2014. His working percentage was 50 percent. While still in phased retirement status, Jerry died on December 31, 2016. Jerry was covered under FERS and his wife is entitled to a survivor annuity and the basic employee death benefit. Both the high-3 average pay for the annuity computation (and the basic employee

death benefit) and the final salary for the basic employee death benefit computation) are computed as though Jerry worked full-time during phased retirement. The survivor annuity is based on the following variables:

Deceased Employee: Jerry Richardson DOB: Apr 8, 1954 (age 62 at death) Hi-3: \$72,210

Creditable service: 03/03/1990 to 12/13/2014 full-time FERS (80/80)
 12/14/2014 to 12/31/2016 part-time FERS (40/80)

Unused sick leave balance: 15 hours (3d)

Working Percentage / Phased Retirement Percentage: 50 percent / 50 percent

Starting YR-MO-DY	Ending YR-MO-DY	Covered/Refunded/Non-deduction/Military	Yrs	Mos	Days
1990-03-03	2014-12-13	FERS (full-time)	24	9	11
2014-12-14	2016-12-31	FERS – Phased Retirement Status (Part-time 40hrs/80hrs)	2	0	17
Total Civilian/Military			26	9	28
Unused Sick Leave Credit (15 hrs)					3
Total Service for Computation			26	10	

Step 1 – Compute Proration Factor :	
• 24y 9m 11d = 24.780556 x 2087 =	51,718 x 80/80 = 51,718
• 2y 0m 17d = 2.047222 x 2087 =	4,273 x 40/80 = <u>2,137</u>
• Totals:	55,991 53,855
	53,855 ÷ 55,991 = 96%
Step 2 – Compute Survivor Annuity	
High-3 Average Pay:	\$72,210
Retirement Factor (26) yrs. (10) mos. (See section 50C1.1-1, Chart 6 or 7)	X .295167
Basic Annuity Earned by Employee Before Part-time Proration	\$21,314.01
Proration Factor	X 96%
Basic Annuity Earned by Employee After Part-time Proration	\$20,461.45
Survivor Benefit Percentage (Maximum Benefit)	X 50%
Annual Survivor Annuity	\$10,230.72
Monthly Survivor Annuity:	\$852

Section 6: Miscellaneous Information

- Federal Insurance:

The Insurance programs will release two BALs and a Frequently Asked Questions document on Phased Retirement.

BAL 14-207, Phased Retirement and Federal Employees Health Benefits (FEHB) Program Guidelines

BAL 14-208, Phased Retirement and Federal Employees' Group Life Insurance (FEGLI) Program Guidelines

Phased Retirement and the Federal Employees Health Benefits Program: Frequently Asked Questions

- Workers' Compensation

The Office of Workers' Compensation Programs, Division of Federal Employees' Compensation (OWCP), is responsible for the administration of Federal employees' compensation. In general, an individual cannot receive both annuity (including a phased retirement annuity) and OWCP non-scheduled award benefits at the same time. If an employee in phased retirement status gets injured on the job and starts to receive a non-scheduled award from OWCP, the phased annuity must be suspended.

- Disability Retirement

Employees in phased retirement status are not eligible to apply for disability retirement under CSRS or FERS because the law specifically prohibits the phased retiree from filing an application for disability.

- Court Orders

As in the case of annuity payable in a regular retirement situation, a phased retirement annuity or a composite retirement annuity are subject to apportionment by a court decree of divorce, annulment, or legal separation, or the terms of any court order or court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation.

This means that any valid court order will be applied to the phased retirement annuity in the same way they would be applied to a regular retirement annuity. OPM's regulations pertaining to court orders are located at 5 CFR 838.

- FERCCA

Employees in phased retirement status are covered by the Federal Erroneous Retirement Coverage Corrections Act (FERCCA), Title II of Public Law 106-265, 114 Stat. 762, enacted September 19, 2000.

Agencies must address potential FERCCA errors prior to permitting an employee to enter into phased retirement status. However, if after an employee elects and enters into phased retirement status and subsequently is found to have a coverage error, the employee has the same rights under the FERCCA as before entry into phased retirement status.

Section 7: Phased Retirement Points of Contact

Employees should contact their agency human resources office for further information about implementation of phased retirement within their agency. Agency field offices should contact their appropriate headquarters-level agency human resources office. Agency headquarters-level human resources offices may contact the following OPM offices. Requests from individual employees will be returned or forwarded to the appropriate agency human resources office. For general information on phased retirement, please visit <http://www.opm.gov/retirement-services/phased-retirement/>.

Retirement Services, Benefits Officers Liaison and Development

202-606-0788

benefits@opm.gov

U.S. Office of Personnel Management

Benefits Officers Liaison and Development, Retirement Services

1900 E Street, NW Room SB 427

Washington, DC 20415

Pay and Leave

202-606-2858

pay-leave-policy@opm.gov

U.S. Office of Personnel Management

Pay and Leave, Employee Services

1900 E Street, NW Room 7H31

Washington, DC 20415

Internal Placement, Promotions, Reduction in Force, Details, and Outside Employment

202-606-0960

employ@opm.gov

U.S. Office of Personnel Management

Employee Services

Recruitment and Hiring, Hiring Policy

1900 E Street, NW Room 6500

Washington, DC 20415

Mentoring

202-606-0913

gwmessaging@opm.gov

U.S. Office of Personnel Management

1900 E Street, NW Suite 7439

Washington, DC 20415

Partnership and Labor Relations, Employee Relations

202-606-2930

plr@opm.gov

U.S. Office of Personnel Management

Partnership and Labor Relations, Employee Services

1900 E Street, NW Suite 7H28

Washington, DC 20415

Planning and Policy Analysis, Federal Employee Insurance Operations

202-606-0004

Ronald.Brown@opm.gov

U.S. Office of Personnel Management

Planning and Policy Analysis (FEIO)

1900 E Street, NW Room 4312

Washington, DC 20415

Office of the Chief Financial Officer (OCFO), Financial Services

202-606-0606

FinancialBALs@opm.gov

U.S. Office of Personnel Management

Chief Financial Officer, Financial Services

1900 E Street, NW Room 5478

Washington, DC 20415

Office of the Chief Information Officer (OCIO), Records Management

202-606-1162

Larry.Wells@opm.gov

U.S. Office of Personnel Management

Chief Information Officer, Records Management

1900 E Street, NW Room 2336

Washington, DC 20415