



a New Day for Federal Service

**Federal Employees Retirement System
FURTHER REVISED ANNUITY
EMPLOYEES
FERS-FRAE
2014**



Background

FERS-Revised Annuity Employees (RAE)- Public Law 112-96, Section 5001, of the “Middle Class Tax Relief and Job Creation Act of 2012”

Beginning in 2013,

1. **NEW** employees will have to pay higher employee contributions
2. **NEW** Members of Congress and Congressional Employees will pay the higher employee contributions **AND** will receive the same retirement benefits as regular employees

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Background

FERS-Further Revised Annuity Employees (FRAE)- Section 401 of the “Bipartisan Budget Act of 2013”

Beginning in 2014,

1. Employees hired after December 31, 2013, who are not excluded from FERS coverage become subject to FERS-FRAE coverage and must pay even higher employee contributions for the FERS basic benefit than FERS-RAE employees

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Background

2. Employees who meet the requirements to retain original FERS coverage based on their status as of December 31, 2012, will continue to be subject to original FERS coverage.
3. Employees who are not eligible for original FERS coverage may still be eligible for FERS-RAE coverage based on their status as of December 31, 2013.

A vertical strip on the left side of the slide shows a close-up of the American flag, featuring white stars on a blue field and red and white stripes.

Background

4. The basic FERS benefits for congressional employees and Members of Congress covered under FERS-FRAE are the same as the benefits those groups receive under FERS-RAE

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Basic Coverage Determinations

Employee Retains FERS coverage

An individual hired in 2014 or later will be subject to original FERS coverage if any of these exceptions apply:

- the individual on December 31, 2012, was covered under FERS; or

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Basic Coverage Determinations

Employee Retains FERS Coverage

- The individual on December 31, 2012, was performing civilian service which is creditable or potentially creditable service under FERS (for example, the individual may have been performing service as a Peace Corps volunteer or may have been covered under another retirement system from which service credit may be transferred to FERS, such as CSRS, CSRS-Offset, Foreign Service, Federal Reserve, or CIARDS), or

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Basic Coverage Determinations Employee Retains FERS Coverage

- The individual on December 31, 2012, was not covered under FERS and was not performing civilian service which is creditable or potentially creditable service under FERS, but as of December 31, 2012, had performed at least **five years** of civilian service creditable or potentially creditable under FERS, including service subject to CSRS or CSRS-Offset.
- See BAL 13-102 for additional details relating to an employee's status on December 31, 2012.

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Basic Coverage Determinations

Employee Retains FERS-RAE Coverage

An individual hired in 2014 or later who is not subject to original FERS coverage will be subject to FERS-RAE coverage if any of these exceptions apply:

- The individual on December 31, 2013, was covered under FERS-RAE; or

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Basic Coverage Determinations

Employee Retains FERS-RAE Coverage

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Basic Coverage Determinations

Employee Retains FERS-RAE Coverage

- The individual on December 31, 2013, was not covered under FERS and was not performing civilian service which is creditable or potentially creditable service under FERS, but as of December 31, 2013, had performed at least **five years** of civilian service creditable or potentially creditable under FERS, including service subject to CSRS or CSRS-Offset.

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Potentially Creditable Service

Potentially Creditable Service includes, but is not limited to:

- Peace Corps volunteer or
- Covered under another retirement system from which service credit may be transferred to FERS
 - CSRS
 - CSRS-Offset
 - Non-covered service prior to 1988
 - Foreign Service Pension System
 - Federal Reserve
 - CIARDS

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Military Service

Military service for which a deposit has been paid is not considered creditable for determining the five years of service for exemption from FERS-RAE or FERS-FRAE.

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Guidance

- **BAL 14-102, Federal Employees Retirement System- Further Revised Annuity Employees (FRAE)** provided interim guidance and the new Retirement Plan Codes
- **BAL 14-107, Federal Employees Retirement System-Further Revised Annuity Employees (FRAE) Coverage Determination Guidance** provides updated Coverage Determination Tables that are being added to Chapter 10 of the CSRS and FERS Handbook

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Examples

Example 1:

Employee receives a FERS covered appointment effective January 1, 2014. This is a first hire – employee had no prior civilian service with the Federal Government.

- ***Employee is subject to FERS-FRAE coverage.***

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Examples Cont.

Example 2:

Employee receives a FERS covered appointment effective February 9, 2014. Employee had one previous period of civilian service with the Federal Government covered under FERS-RAE from February 2, 2013, through January 4, 2014.

- ***Employee is subject to FERS-RAE coverage.***
Employee was covered by FERS-RAE on December 31, 2013.

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Examples

Example 3:

Employee receives a FERS covered appointment effective January 2, 2014. Employee had one previous period of civilian service with the Federal Government covered under FERS from September 14, 2009, to December 29, 2013.

- ***Employee is subject to FERS coverage.***
Employee was covered by FERS Regular on 12/31/2012.

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Examples

Example 4:

- Employee receives a FERS covered appointment effective January 6, 2013. Employee had previous civilian service that was covered under the Foreign Service Pension System (FSPS) from February 13, 2012, through January 5, 2013.
- ***Employee will be subject to FERS coverage.*** (working in a position on December 31, 2012, that is potentially creditable under FERS)

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Examples

Example 5:

- Employee receives a FERS covered appointment effective January 14, 2014. Employee had one previous period of civilian service with the Federal Government covered under FERS from September 14, 2009, to December 29, 2012.

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Examples

- ***Employee is subject to FERS-FRAE coverage.***
 - *On December 31, 2012, the employee did not meet the requirements that would permit coverage under original FERS*
 - *The employee was not covered under FERS and was not performing civilian service that was creditable or potentially creditable under FERS on December 31, 2012*
 - *The employee did not at least 5 years of creditable or potentially creditable civilian service as of December 31, 2012*

The image shows a close-up of the American flag, focusing on the blue field with white stars and the red and white stripes. The flag is positioned on the left side of the slide.

Examples

- *The employee did not meet the requirement that would permit coverage under FERS-RAE as of December 31, 2013*
- *The employee was not covered under FERS-RAE and was not performing civilian service that was creditable or potentially creditable under FERS on December 31, 2013*
- *The employee did not have at least 5 years of creditable or potentially creditable civilian service as of December 31, 2013.*

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Examples

Example 6:

- Employee received a FERS covered appointment effective June 16, 2014. Employee previously had performed Federal service under CSRS from June 13, 1977, through September 21, 1981.

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Examples

- ***Employee is subject to FERS-FRAE Coverage.***
 - *Employee was not an employee of the Federal government on December 31, 2012*
 - *Employee did not have 5 years of prior CSRS covered creditable service on December 31, 2012*
 - *Employee was not an employee on December 31, 2013*
 - *Employee did not have the 5 years of creditable service on December 31, 2013 making him ineligible for FERS-RAE coverage.*



FERS-FRAE Questions?



A New Day for the Civil Service

Retirement Application Audit Update

**Benefits Officers Network Meeting
August 14, 2014**

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Retirement Application Audit

- Audit of agency retirement application packages started in 2009
 - Annual audits based on six week period
- Audit performed monthly since June 2012
- FY 2014 Goal – 92% of retirement packages received are complete

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CSRS and FERS Development Checklist and Log

- April 2012 - CSRS and FERS Checklists – Retirement Development Section
 - Systematically screen incoming cases
 - Document healthy and unhealthy cases
- Data from checklists is used for the Retirement Application Audit
- Audit definitions revised for FY 14 - 19 new error definitions were added



Retirement Application Audit Results FY 2009 - 2014

Time Period	Error Rate
FY 2009	31.5%
FY 2010	22.8%
FY 2011	18.2%
FY 2012*	15.1%
FY 2013	8.4%
FY 2014**	16.5%


* Change to monthly audits

** New error definitions




Retirement Application Audit Results FY 2014

Time Period	Error Rate
Q1	17.2%
Q2	17.9%
Q3	15.6%
July	12.4%

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Audit-Focused Training and Guidance

- BAL 12-103 – Submitting Healthy Retirement Application Packages – August 2012
- BAL 14-103 – Documenting a Retiring Employee’s Eligibility to Continue FEHB into Retirement – January 2014
- Webcast – A Healthy Retirement Package – October 2012
- Webcast – Tips for Healthy Retirement Applications – April 2014

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Audit-Focused Training and Guidance

- Periodic ListServ Messages transmitting BALs, FY 2014 Error Definition Revisions and Webinars among other things
- Monthly Audit Messages include statistics, Job Aids and tips on addressing common errors, in addition to Agency reports
 - Monthly Audit Messages and Attachments should be shared with all agency benefits officers and staff that process packages

Top 5 Errors

Error Category	Percentage of Errors
Document 5 Year FEHB	20.7%
Application	12.3%
Summary of Service	11.2%
SF 2818	10.0%
Spousal Consent	7.4%

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Focus on Top 5 Errors

- Additional focus on the top 5 error types could significantly improve accuracy rates
- Focus on #1 Error – 5 Year FEHB
 - BAL 14-103 – Documenting a Retiring Employee’s Eligibility to Continue FEHB Enrollment into Retirement
 - Details acceptable proof of coverage
 - Use memo to document 5 years coverage when full documentation is unavailable and certify eligibility to continue coverage
 - Using memo as SOP would greatly reduce errors

Questions





A New Day for the Civil Service

Phased Retirement

Benefits Officers Network Meeting

August 14, 2014

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What Is Phased Retirement?

- HR tool to facilitate knowledge management
- Main purpose to create a mechanism to enhance mentoring and training of employees to fill positions of experienced employees preparing for full retirement
- Allows employee to partially retire and continue to work part-time

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When Will Phased Retirement Start?

- Regulations published August 8, 2014
- Effective date established set by regulations, 90 days after OPM publishes final regulations
- Agencies can begin using Phased Retirement on and after November 6, 2014

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Who is Eligible to Participate in Phased Retirement?

- Must have been full-time employee for at least 3 years prior to entry in Phased Retirement
- Must be eligible for immediate retirement under specific provisions:
 - CSRS: Age 55 with 30 years of service, or age 60 with 20 years
 - FERS: MRA with 30 years of service, or age 60 with 20 years of service

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What Employees Are Excluded From Phased Retirement?

- Law Enforcement Officers, Fire Fighters, Air Traffic Controllers, Nuclear Materials Couriers, Capitol Police and Supreme Court Police and some Customs and Border Protection (CBP) Officers
 - CBP Officers employed before 7/6/08 and who are exempt from mandatory separation provisions are **not** excluded
- Special work schedules that do not allow a recurring part-time schedule:
 - Fire Fighters covered by 5 USC 5545b
 - Nurses under 38 USC 7456 or 7456A

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How Does Phased Retirement Work?

- Phased Retirement is an agreement between employee and agency
- When phased retirement is elected, the employee:
 - Is partially retired and receives about half of their annuity
 - Is employed and works 50% part-time and receives half of their pay
 - 20% of their work time must be spent in mentoring activities

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Employee's Pay During Phased Retirement Status

- Employee receives half of their gross pay
- Gross pay continues to be subject to employee withholdings for FEHB, FEGLI, FEDVIP, FLTCIP, TSP, Federal and State tax, Social Security and Medicare tax, and CSRS or FERS deductions, as appropriate
 - FEHB and FEGLI premiums are the same as a full-time employee

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Employee's Annuity During Phased Retirement Status

- Initial annuity computed under CSRS and FERS as if fully retired, then divided in half
 - Special computations apply
 - No sick leave credit
 - No FERS Annuity Supplement
- Deposits for military and civilian service must be paid prior to Phased Retirement
- Survivor elections are not made until full retirement
 - Treated as deceased employee

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Employee's Annuity at Full Retirement

- Survivor elections are made when applying for full retirement
- Cannot elect to pay deposit/redeposit
- Entitled to Composite Retirement Annuity
 - Phased retirement annuity, increased by applicable COLAs during Phased Retirement; plus,
 - Final phased portion of the full retirement annuity
 - Annuity computed as if employee had worked full-time, including sick leave, then divided in half

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Additional Guidance on Phased Retirement

- Phased Retirement Regulations are at: <https://www.federalregister.gov/articles/2014/08/08/2014-18681/phased-retirement>
- BALs are being issued on Phased Retirement actions, processing instructions for personnel and payroll offices, FAQs, FEHB, FEGLI
- The Guide to Processing Personnel Actions (GPPA) is being updated
- The retirement applications and instructions are being revised and an election form is being created

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Future Webcasts

- Two Webcasts are planned
 - September 22, 2014
 - October 21, 2014

QUESTIONS?

