



Public Law 111-84: Being fair with FERS?

With the recent passage of the fiscal year 2010 National Defense Authorization Act, H.R. 2647, and its signing by President Obama into law as Public Law 111-84, employees covered by the Federal Employees Retirement System (FERS) have had their retirement benefits and options improved on several fronts.

While the earned sick leave credit at retirement was the most-hyped provision during the legislative process, other provisions have the potential to create FERS retirements that come sooner and are more lucrative. Review each of the provisions of the new law below.

Sick Leave—Prior to passage of this law, FERS employees received no credit for their sick leave upon retirement. This led to the perception that federal employees were exhausting their leave prior to retirement, creating staffing problems with most government agencies. Who could not have seen this coming when the original retirement provisions were established? The new provisions afford new FERS retirees 50 percent credit for their sick leave toward service time credit from now until December 31, 2013. Those retiring on January 1, 2014, and after that date will receive 100 percent credit. This date is when the first FERS hires will be completing 30 years of service. While not perfect, it does improve and ultimately establish the same sick leave benefit for FERS and CSRS retirees.

Redeposit—While CSRS workers have always had the ability or right to redeposit any funds that they may have withdrawn from their CSRS account should they leave federal employment and later return, FERS workers did not have this privilege. In fact, upon withdrawing funds and then returning to the federal sector, they received no credit for their prior service and had to start earning service and annuity credit from scratch. The new law allows them to redeposit withdrawn funds (plus interest) and then receive full credit for the previous service.

Re-employment—Prior to passage of this public law, federal annuitants who later returned to the federal service had their annuity “offset” or reduced by their earn-

ings. Under the provisions of this bill, retirees may return to federal employment and will suffer no offset if they work no more than 520 hours the first six months following retirement and 1,040 hours in any 12-month period thereafter. However, they will be limited to no more than 3,120 total work hours, after which an offset will occur.

Full-time to part-time—Since April 6, 1986, annuity credit has been pro-rated for part-time employment. Full-time employees who, near the end of their career, revert to a part-time position in effect reduce their possible retirement because it is based on high-three year base earnings. Since the time spent as part-time would result in an earnings less than full-time, the last years would normally not be used to determine your “high-three” earnings annuity base. This could result in several thousands of dollars being missed for the high three. Public Law 111-84 requires that these last years be used as if the employee had been full-time. This provision provides CSRS employees the same benefits as FERS.

TSP—Public Law 111-31, signed on June 22, 2009, automatically enrolls newly hired federal employees into the Thrift Savings Plan at a default contribution rate of 3 percent of pay. Previously, these employees had to apply for TSP withholdings. Several other potential benefits are included in this law relating to after-tax contributions and tax-free distributions. Also, there are mutual fund investment options in the TSP. It is suggested that each TSP participant or new hire go to tsp.gov and familiarize themselves fully with all of the TSP options.

My office frequently receives calls regarding the supplemental annuity for FERS retirees. When contacting the HRSSC office in Greensboro to start your retirement process, please inform them that you also wish to have an estimate for your supplemental annuity included in your estimates. If they inform you that they cannot or will not provide this estimate, then immediately contact the Director of Retirees’ office at 202-662-2877. (This estimate is only available to those employees requesting their annuity estimate after starting the retirement process.) ☒