

# Annuity compensation for part-time career service



**Dan Toth**

**F**ederal Employees Retirement System (FERS) employees with part-time creditable service, such as time spent as a part-time flexible (PTF) or part-time regular (PTR) during their career should understand the effect of that part-time service on their annuity so that they are able to make informed retirement decisions.

**Typically, an annuity calculation** is straightforward for a FERS employee. The equation is high-3 average salary multiplied by years of service multiplied by 1 percent (or 1.1 percent if age 62 with 20 years of service). But FERS employees with a part-time component also

need to multiply this result by a proration factor based on their service history.

The high-3 average salary is computed in the same manner as it is for an employee without part-time service—that is, by finding the period of three consecutive years of the employee’s service that will produce the highest average. Only the full-time rate of basic pay or “deemed” full-time rate for part-time service is used. For example, a PTF in Table 2 at Step A earning \$22.03 per hour would have a deemed full-time rate of \$43,881 per year, regardless of the actual hours worked or paid. Nearly all letter carriers will have their final three years used in this calculation.

Years of creditable service for a part-time component are also treated the same as employees without a part-time component. Essentially, a year is a year. If an employee is a PTF for 30 years, he or she would have 30 years of service toward eligibility to retire, as well as to his or her years of service when calculating the annuity.

**The proration factor will come into play and reflect the** amount of hours the employee worked when compared to a full-time position. This is done by computing the actual time worked, and the number of full-time hours that could have been worked for all periods of civilian and military service creditable under FERS. This time also includes time worked in excess of the scheduled part-time tour of duty, but not to exceed full-time credit, in the computation of the actual time worked. Periods of creditable time in a non-pay status in the computation of actual time worked should be included. The “actual time worked” during non-pay status is based on the tour of

duty in effect immediately before entry into the non-pay status. The FERS proration factor is calculated by dividing the total actual hours worked by the total full-time hours.

Let’s demonstrate the proration factor by comparing a letter carrier, “Franny,” with 30 years of full-time service, with “Paula,” who also has 30 years of total service, 15 years of which were part-time service. For the sake of this example, both Franny and Paula started and retired at the same time, had the same high-3 average salary of \$66,843, and are 59 years old at retirement. Full-time Franny’s annuity is easy to compute with the information we have so far: High-3 average salary (\$66,843) multiplied by 30 years of creditable service multiplied by 1 percent equals \$20,052.90 per year (before any survivor benefit or deductions).

To determine part-time Paula’s annuity, we need to know her proration factor. Let’s suppose Paula worked exactly half of every year, or 1043.5 hours for each of her 15 years of part-time service on average (the Office of Personnel Management uses 2,087 hours per year for service after March 1, 1986, dissimilar to 2,080 hours per year used by USPS). That means during the course of her 30-year career, she worked 15,652.5 part-time hours plus 31,305 full-time hours for a total of 46,957.5 hours. The total hours for a full-time tour would be 62,610 (30 years multiplied by 2,087 hours per year). Now divide 46,957.5 hours by 62,610 hours to get a proration factor of 0.75, or 75 percent.

Now we can finalize part-time Paula’s annuity by multiplying the basic annuity calculation by her proration factor of 0.75, which results in \$15,039.68 per year. This is 25 percent less than full-time Franny because of the 15 years of part-time service where Paula worked an average of only 20 hours per week, or half of a full-time tour. If part-time Paula had actually worked 2,087 hours per year during her part-time service, her proration factor would be 1.0, or 100 percent, and she would receive the exact same annuity as full-time Franny.

The Civil Service Retirement System (CSRS) proration factor is more complicated because part-time CSRS service is treated differently if it occurred prior to April 7, 1986, or if it occurred on and after. For a detailed breakdown of the CSRS proration factor or additional FERS proration guidance, see *CSRS/FERS Handbook* Chapter 55, Computation for Part-Time Employees.

**Letter carriers who have part-time career service** where they worked less than a full-time tour should understand the potential impact on their annuity and be sure to request a manual annuity estimate to account for part-time service from the USPS Human Resource Shared Service Center (877-477-3273 or TTY 866-260-7507).