

Phased Retirement



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A new law authorizes a program of part-time retirement coupled with part-time work for federal and postal employees. The program is entirely voluntary on the part of retiring employees. It also is completely discretionary on the part of employing agencies. At this time, Postal Service intentions are unknown regarding whether it will consider craft employees (such as letter carriers) in its discretionary authority to approve Phased Retirement. In addition, the details of the specific implementing regulations are still in the process of being finalized by the Office of Personnel Management (OPM). OPM published the proposed regulations in the Federal

Register on June 5, with a public comment period through Aug. 5. When that period ends, OPM will consider the public comments that were submitted, decide whether to change some of the proposed regulations on the basis of those comments, and issue the final regulations.

Despite these uncertainties, the known and proposed details of the program may be of interest to readers of this column. The program is called “Phased Retirement.” It was created by Section 100121 of Public Law 112.141, signed by the president on July 6, 2012. The new law amends provisions of 5 USC 83 (CSRS) and 5 USC 84 (FERS).

To qualify for Phased Retirement, an employee must meet three criteria: 1) he or she must have been employed on a full-time basis for the previous three years; 2) he or she must have the concurrence of the employing agency; and 3) he or she must have reached one of certain age/years-of-service combinations. For CSRS-covered employees, the combinations are 55/30 or 60/20. For FERS-covered employees the combinations are MRA/30 or 60/20. The FERS minimum retirement age (MRA) varies from 55 to 57, depending on year of birth.

Phased Retirement consists of half-time work and a 50 percent retirement annuity. Currently, OPM-proposed regulations mandate this 50-50 split, but the law permits OPM to later authorize different percentage splits.

Some of the details of the half-time work component of Phased Retirement are noted here. The employee continues to earn retirement credit for work. Federal Employee Group Life Insurance (FEGLI) and Health Benefit Plan (HBP) enrollment stays with the employer. FEGLI and HBP premiums and benefits are based on full-time salary. Only in rare and exceptional circumstances can an employer allow or require a Phased Retirement

employee to work additional hours beyond the half-time employment. OPM can withdraw an agency’s authority to grant such exceptions, and OPM can end an employee’s Phased Retirement, upon finding that the “rare and exceptional circumstances” limitation is being abused. The employer can require a specific duration limit to the Phased Retirement.

Some of the details of the half-time annuity component of Phased Retirement are as follows: No FERS special annuity supplement is payable. Deposits and re-deposits for service credit (including military) must be satisfied prior to entry into Phased Retirement status, unless the employee later resumes full-time employment, in which case a new opportunity to make deposits would be afforded. Cost-of-living adjustments are received. Unused sick leave is not used in the computation of the Phased Retirement half annuity, but will be taken into account at full retirement. If a phased retiree dies prior to full retirement, survivor benefits will be those applicable for an employee who dies in service. For the purpose of computing a survivor annuity, the period of phased retirement will be treated as a period of part-time service.

An employee can withdraw his or her application for Phased Retirement at any point prior to the effective date, but not on or after the effective date. Once an employee starts a Phased Retirement, the employee can voluntarily return to full-time employment, but only if the employing agency agrees. In addition, once a Phased Retirement starts, an employee can elect to go to full retirement at will.

When an employee enters a full retirement status after a Phased Retirement, he or she receives a composite annuity calculated as follows: the Phased Retirement annuity, plus one-half of a full retirement annuity calculated as if the employee had remained in a full-time status up to the date of full retirement.

When a Phased Retirement employee enters full retirement, the then-current rules for retirement will apply. For example, if the law is changed to require high-5 instead of high-3 while an employee is in Phased Retirement, the full retirement calculation would include the new rule.

We do not yet know the exact final regulations, whether the Postal Service intends to consider Phased Retirement for letter carriers, or even how the Das award MOU limitation on the number of part-time regular city carrier positions might interact with the program. Despite those unknowns, it is significant that the law now allows for concurrent receipt of CSRS or FERS partial annuity with wages received in federal employment.

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