

Phased retirement—final rule published



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More than two years after passage of the law permitting half-time retirement with half-time work for certain Civil Service Retirement System (CSRS) and Federal Employees' Retirement System (FERS) employees, the first phased retirement applications will soon be considered. Letter carriers, however, should be aware that phased retirement is not an employee entitlement. The Postal Service generally has discretion to approve some, all or none of the phased retirement applications received from employees.

The Office of Personnel Management (OPM) published on Aug. 8 final regulations implementing phased retirement. Those regulations are intended to fill gaps in the statutory scheme of phased retirement, and to establish the relative rights and responsibilities of OPM, agencies and employees with regard to phased retirement. This column discusses key elements of those regulations and the wider context of recent legislative changes and proposed changes to federal employee retirement law. This column should be read in conjunction with the August 2013 retirement column, which discussed OPM's proposed phased retirement regulations.

The effective date is Nov. 6. Employees may not enter phased retirement or submit applications for phased retirement prior to that date. To be eligible, employees must have been employed full-time for the three years preceding entry into phased retirement. Thus, current annuitants are not eligible to return to work half-time under the phased retirement provisions.

A second eligibility requirement concerns years of service and age combinations. Under CSRS, participation in phased retirement is limited to those persons eligible for an immediate retirement with 1) at least 30 years of service and who are at least age 55 or 2) who have at least 20 years of service and who are at least age 60. Under FERS, participation is limited to those persons eligible for an immediate retirement with 1) at least 30 years of service and who have reached minimum retirement age (55 to 57 depending on year of birth) or 2) who have at least 20 years of service and who are at least age 60.

When employees enter a phased retirement status, they become annuitants and part-time employees. Since they still are federal employees, they retain the right to contribute to the Thrift Savings Plan, in accordance with TSP rules. They accrue leave on a pro-rated basis the same as other part-time employees, based on hours in a pay status. They do not receive a lump-sum payment for annual leave upon entry

into phased retirement. Instead, any lump-sum payment of accrued annual leave would be paid upon full retirement.

Phased retirees remain covered by the Federal Employees Compensation Act while working. If an employee becomes disabled due to an on-the-job injury while in a phased retirement status, he or she may be entitled to wage loss compensation from the Office of Workers' Compensation Programs (OWCP). However, since OWCP regulations prohibit concurrent receipt of wage-loss compensation and retirement annuity, the employee would have to choose one or the other.

Phased retirement is voluntary on the part of employees and employers. USPS' intentions regarding it are unknown. However, OPM regulations require agencies to establish written criteria to be used to approve or deny applications for phased retirement. USPS' intentions will become clearer when it provides the required written criteria.

The change in the laws providing for phased retirement underscores the fact that Congress can and does make fundamental changes to our retirement rights. While the phased retirement change is benign or at least neutral, other recent changes are wholly negative. Consider the law passed in 2012 that raised the retirement contribution rate of newly hired (in 2013) FERS employees from 0.8 percent to 3.1 percent of basic salary, without any increase in benefits. Consider the law passed in 2013 that again raised the retirement contribution rate of newly hired (in 2014 and later) FERS employees to 4.4 percent of basic salary, without any increase in benefits.

Then consider legislation that has been proposed in the last two years, although not passed into law. A bill proposing to change the high-3 calculation in CSRS and FERS to high-5 would have reduced annuities on average by about 3 percent. A House continuing resolution passed on March 29, 2012, would have increased CSRS employees' retirement contributions from 7 percent to 12 percent, with no increase in benefits. H.R. 3813 would have completely eliminated the special annuity supplement for FERS employees. S. 1486 would have allowed USPS to bargain away its TSP matching contribution obligation. S. 644 would have completely eliminated the FERS basic benefit annuity, as well as the special annuity supplement.

These proposed and actual revisions to federal retirement law expose the agenda of legislators openly opposed to the interests of middle-class and working people. If more of them are elected, they will eviscerate federal retirement benefits. If you value the idea of a society that structures itself in a way that provides modest financial security and dignity for its aging working citizens, you should do two things: 1) vote in every election and with your eyes open to your own financial interest, and 2) contribute financially to COLPE and energy and time to the campaigns of candidates who represent your interests.