Leave balances at retirement

Accrued leave balances at the time of retirement should be considered when deciding on a retirement date. This is true for letter carriers covered by both systems, the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). It is also true for both annual leave and sick leave.

The value of accrued leave is similar under CSRS and FERS. However, the value of annual leave is realized in a very different way than the value of sick leave. In a nutshell, the value of annual leave is realized by payment of a lump sum shortly after the date of retirement, while the value of sick leave is realized through an increase in the retiree’s annuity.

Accrued annual leave

At the time of separation, in connection with an immediate retirement or otherwise, accrued annual leave is paid to the employee as a lump sum. The payment is calculated at the employee’s current hourly rate. For full-time and part-time regulars, all accrued hours, plus hours for holidays that fall within the terminal leave period, are included in the calculation of the lump-sum payment.

For instance, consider a full-time letter carrier who retired on Nov. 30, with an accrued balance of 200 hours annual leave. The lump-sum calculation would include the 200 hours plus 16 hours—because the Christmas and New Year’s holidays fall within the terminal leave period.

Accrued annual leave may be different from the annual leave balance shown on a letter carrier’s earnings statement. This is because full-time regular carriers are advanced annual leave at the beginning of each leave year. If a carrier retires prior to the end of a year, not all of the leave advanced that year will be earned.

It is also important to consider that, generally, annual leave over the maximum carryover (440 hours for letter carriers) is forfeited and is not paid as part of the lump-sum terminal leave payment. There is an exception to this rule for voluntary early retirements (VER), but there is currently no indication that the Postal Service has any plans to offer such early retirements.

Postal Service regulations regarding terminal leave payments are found in the Employee and Labor Relations Manual (ELM): 512.732 Entitlement Amounts

Separating employees may receive lump sum terminal leave payments as follows:

b. Bargaining Unit Employee. Bargaining unit employees may receive a lump sum leave payment:

(1) If separating other than under the Voluntary Early Retirement Authority (VERA), for accumulated annual leave carried over from the previous year; accrued annual leave for the year in which they separate, up to the carryover maximum for their bargaining unit (see 512.32); any unused donated leave; and for full-time and part-time regular employees, holidays that fall within the terminal leave period. Any part of the unused annual leave earned during the leave year of separation that is in excess of the maximum carryover amount is granted prior to separation rather than paid out in the form of a lump sum payment. No payment is made for unused leave that the employee would have been required to forfeit at the end of the leave year.

(2) If separating under VERA, for accumulated annual leave carried over from the previous year; accrued annual leave for the year in which they separate, including amounts over the carryover maximum for their bargaining unit; any unused donated leave; and for full-time and part-time regular employees, holidays that fall within the terminal leave period.

Sick leave

There are no lump-sum payments for accumulated sick leave at retirement. However, accumulated sick leave is used in determining a retiree’s years-of-service for the purpose of computing the amount of the annuity. Sick leave is not used in determining years-of-service for the purpose of eligibility to retire.

Postal Service regulations regarding credit for unused sick leave toward retirement are found in ELM 513.821 and 562.4:

562.4 Credit For Unused Sick Leave
562.41 Eligibility

Unused sick leave to an employee’s credit is used in computing service for annuity purposes if the employee: (a) retires on an immediate annuity or (b) dies leaving a survivor entitled to an annuity.

562.42 Method of Computing

After it is determined that an employee meets the minimum length of service required for retirement, any unused sick leave to the employee’s credit is converted to years, months, and days on the basis of a 260-day work year and added to the employee’s total service time. (See 562.5.) The employee’s high-3 average pay is then determined and annuity is computed.

562.43 Restrictions

Credit for unused sick leave is allowable only for annuity purposes. It is not allowable for other purposes in which service creditable for retirement is used as a criterion, such as leave or job retention.

562.5 Computing Total Length of Service

Total service on which an annuity is based, including periods of military service and unused sick leave, is counted in full years and months. Any fractional part of a month is not counted.