



Benefits Administration Letter

Number 14 - 108

Date: August 8, 2014

Subject: Phased Retirement Employee Frequently Asked Questions

Background: OPM published final regulations implementing phased retirement on August 8, 2014. Employees can begin filing applications for phased retirement with their agencies no earlier than November 6, 2014. This BAL provides information for employees interested in phased retirement.

What is Phased Retirement?

- Phased retirement allows certain employees who already meet specific age and service requirements to elect to transition into retirement by continuing to work on a part-time basis and receiving a portion of their annuity for the time they are not working.
- It is designed to assist agencies with knowledge management and continuity of operations in the short term, but also to prepare the next generation of experts for success.
- The main purpose of phased retirement is to enhance the mentoring and training of the employees who will be filling the positions or taking on the duties of more experienced retiring employees.
- Entry into phased retirement is strictly voluntary and it requires mutual agreement between the employee and the agency.

Who is eligible to participate in Phased Retirement?

- An individual must have been employed on a full-time basis for not less than the 3-year period preceding the effective date of his or her entry into phased retirement status,
- Eligibility for Phased Retirement varies by those employees who are covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS).
 - CSRS employees must have at least 30 years of service and have attained at least age 55 or have at least 20 years of service and have attained at least age 60.

Retirement Services

Quality Benefits for the Federal Family

- FERS employees must have at least 30 years of services and have attained at least their Minimum Retirement Age (MRA), between ages 55-57, or have at least 20 years of service and have attained at least age 60.
- It is important to remember that participation in phased retirement starts with a conversation between an employee and his or her manager. Employees who are eligible for phased retirement may participate only with the agreement of their agency.

Are there any categories of employees specifically excluded from phased retirement?

Yes, employees who are currently employed on a part-time basis cannot apply for phased retirement. Other employees that are excluded from phased retirement are employees who qualify for retirement under the retirement provisions for:

- Law enforcement officers
- Firefighters
- Nuclear materials couriers
- Air traffic controllers
- Members of the Capitol Police
- Members of the Supreme Court Police
- Most customs and border protection officers, (except for certain customs and border protection officers hired prior to July 6, 2008), as well as,
- Employees covered by a special work schedule authority that does not allow for a regularly recurring part-time schedule, such as a firefighter covered by 5 U.S.C 5545b or a nurse covered by 38 U.S.C 7456 or 7456A

What do I do if I want to participate?

If you want to participate, the first thing to do is to talk to your manager. Then talk to your Human Resources Office, who should be able to provide you with information on your eligibility for phased retirement and provide you with personalized retirement annuity estimates. (Agencies may require some time to be fully prepared to provide estimates during the initial stage of implementation.) Retirement of any type is a major life decision and you should understand all of your retirement options, as well as the impact working part time will have on your future retirement annuity when you fully retire if you choose phased retirement. You should ask for estimates showing what you would receive if you retired now, if you continue working full-time, and if you choose phased retirement.

Once you've considered your options and have your agency's approval, the next step is to fill out the phased retirement election form for approval by your agency. Once your agency approves the form, it will then be submitted to OPM for processing.

How does Phased Retirement work?

An employee electing phased retirement continues to work as an employee of the Federal Government but under a part-time work schedule. At the same time, the employee receives annuity benefit equal to a fraction of the annuity that would have been paid had the employee fully retired. Currently, this means employees will be receiving half of their pay and approximately half of their annuity because currently the only working percentage allowable by regulation is 50%.

Can I see an example of the income of a CSRS Phased Retiree?

The example below is for a CSRS employee with 35 years and 9 months of service.

CSRS Phased Retirement Income		
	Annual	Monthly
Current Salary \$68,275 X 50%	\$34,137	\$2,844.75
Current Annual Annuity \$45,296.30 X 50%	\$22,648	\$1,887.00
Total Employee Income in Phased Retirement	\$56,785	\$4,731.75

Can I see an example of the income of a FERS Phased Retiree?

The example below is for a FERS employee with 35 years and 9 months of service.

FERS Phased Retirement Income		
	Annual	Monthly
Current Salary \$68,275 X 50%	\$34,137	\$2844.75
Current Annual Annuity \$23,868 X 50%	\$11,934	\$ 994.50
Total Employee Income in Phased Retirement	\$46,071	\$3,838.75

***No FERS annuity supplement is payable in phased retirement.**

How does phased retirement impact an employee's Federal Employees Health Benefits (FEHB) and Federal Employees Group Life Insurance (FEGLI)?

For FEHB and FEGLI purposes the employee is considered to still be working full time.

Where can I obtain additional information about Federal Employees Health Benefits or Federal Employees' Group Life Insurance enrollment during phased retirement?

You should have a conversation with your manager or benefits officer and you may visit the OPM website at <http://www.opm.gov/healthcare-insurance/healthcare/>, or, for life insurance, you may visit the OPM website at: <http://www.opm.gov/healthcare-insurance/life-insurance/>.

How does Phased Retirement impact leave accrual?

An employee in phased retirement status will accrue annual and sick leave in the same manner as other part-time employees. All employees in phased retirement status will have at least 20 years of service and therefore will be accruing leave at the rate of 1 hour of annual leave for each 10 hours in a pay status and 1 hour of sick leave for each 20 hours in a pay status. (See our [Annual Leave \(General Information\)](#) and [Sick Leave \(General Information\)](#) fact sheets for more information.) An employee in phased retirement status with a 50% working percentage who works 40 hours per pay period will earn 4 hours of annual leave and 2 hours of sick leave per pay period.

Will a FERS Employee in Phased Retirement Status be eligible for the FERS Annuity Supplement?

- The FERS Annuity Supplement is not payable during phased retirement.
- If applicable, the FERS Annuity Supplement may be paid after an employee in phased retirement status fully retires and begins receiving a composite annuity.

Can an employee in phased retirement status retire on Disability?

No, employees in phased retirement status are not eligible to file for disability retirement because the law specifically prohibits the phased retiree from filing an application for disability.

Employees who have already retired on disability may not participate in phased retirement.

If I am participating as an employee in phased retirement status, what are my options to end Phased Retirement?

Phased retirement may be open-ended or subject to a time limit agreed to between the agency and the employee. The employee may also request to return to regular employment or submit an application for full retirement.

What happens if an employee in phased retirement status dies before entering full retirement?

If an employee in phased retirement status dies before separating for full retirement benefits, the employee in phased retirement status will be deemed to have been a deceased employee for purposes of determining survivor benefits.

Where do I go for more information about Phased Retirement?

If phased retirement is something that you are interested in, the first step is to have a conversation with your manager. More detailed information on this new resource can be found on our website at www.opm.gov/retire.

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