



***Benefits Administration Letter***

Number: 14-209

Date: October 7, 2014

**Subject:            Phased Retirement and Federal Employees Health Benefits (FEHB)  
                          Program Guidelines**

**Background**

On August 8, 2014, the Office of Personnel Management (OPM) issued the final regulation to implement phased retirement pursuant to section 100121 of the "Moving Ahead for Progress in the 21<sup>st</sup> Century Act," or "MAP-21," Public Law 112-141. This law authorized changes to the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS) by amending title 5, United States Code, to include sections 8336a and 8412a.

Phased retirement is a new human resources tool that allows full-time employees to work a part-time schedule while beginning to draw partial retirement benefits. The purpose of this letter is to provide guidance to Federal agencies seeking to implement the new phased retirement program as it pertains to the Federal Employees Health Benefits (FEHB) Program.

**Federal Employees Health Benefits for CSRS and FERS**

A phased retiree is deemed to be a full-time employee for the purpose of the FEHB Program, and the FEHB withholding and employer contribution will be the same as for full-time employees. The normal rules governing proration of health benefits premiums for part-time career employees do not apply.

During phased retirement, an employee's FEHB enrollment will stay with the employing agency, and FEHB premiums will be withheld from the employee's salary. Thus, an employee who is currently receiving premium conversion tax benefits may continue to do so. FEHB premiums will **not** be withheld from an individual's annuity until full retirement. If, at the time of full retirement, the employee meets the participation requirements to continue FEHB during retirement, his or her FEHB enrollment will be transferred to OPM. Also, an employee with FEHB who is eligible for Medicare will continue to be treated as an employee for Medicare enrollment and coordination purposes.

An employee who enters phased retirement will not be eligible to change his or her FEHB enrollment based on this action because it is not an FEHB qualifying life event (QLE) and the statutory authority for phased retirement does not authorize enrollment changes. Similarly, individuals who change agencies or duty stations during phased retirement will maintain their current enrollment unless they become otherwise eligible to make enrollment changes. Eligible phased retirees, however, will be able to make enrollment changes in accordance with existing FEHB law and regulation.

Enrollment reconciliation requirements are the same for phased retirees as for all full-time employees enrolled in FEHB. Each payroll office must report phased retirees to the **FEHB** Centralized Enrollment Reconciliation Clearinghouse, known as CLER, in the same manner as it does for all full-time employees.

### **Transition from Phased Retirement Back to Full-Time Employment**

After entering phased retirement, a phased retiree may end his or her phased retirement to return to being a regular full-time employee, if the employing agency agrees to the change. The phased retirement annuity will then terminate. Once an individual has gone back to being a full-time employee, the individual cannot elect to go back into phased retirement.

No additional FEHB forms need to be completed or submitted to maintain the existing FEHB coverage. Returning to regular full-time employment after participating in phased retirement is not a QLE and the employee will not be eligible to change his or her FEHB enrollment. Similarly, individuals who change agencies or duty stations after phased retirement will maintain their current enrollment unless they are otherwise eligible to make changes. Eligible phased retirees will be able to make enrollment changes in accordance with existing FEHB law and regulation.

### **Transition from Phased Retirement to Full Retirement**

A phased retiree may voluntarily apply at any time for full retirement in the same manner as other employees. The employee does not have to obtain the permission of his or her agency to fully retire. If a phased retiree elects full retirement, his or her FEHB coverage continues unless it is cancelled or terminated in accordance with existing law and regulation.

The period of phased retirement is creditable toward the 5 years of service needed to continue FEHB coverage as an annuitant. In the event an employee ends his or her phased retirement for full retirement, FEHB coverage will continue if the employee meets all eligibility requirements.

### **Transition from Phased Retirement to Part-time Career Employment**

A phased retiree may end his or her phased retirement to become a part-time career employee as defined by Federal law and regulation, if the employing agency agrees to the change. The phased retirement annuity will then terminate. Once an individual has become a regular part-time employee, the individual cannot elect to go back into phased retirement.

An employee who ends his or her phased retirement to become a part-time career employee must pay the applicable (prorated) enrollee share of the FEHB premium as required by Federal law and regulation. No additional FEHB forms need to be completed or submitted to maintain the existing FEHB coverage. A phased retiree who ends his or her phased retirement to become a part-time career employee will be able to make enrollment changes in accordance with existing FEHB law and regulation.

### **Death in Service During Phased Retirement**

As with other employees who die in service, if a phased retiree dies in service while enrolled in an FEHB Self and Family plan, and at least one family member is eligible for a survivor annuity, the employing office will tentatively determine the survivors' eligibility for continued health benefits enrollment. The retirement system will make the final determination of eligibility.

For additional information, please refer to the Survivor Annuitant section of the FEHB Handbook at <http://www.opm.gov/healthcare-insurance/healthcare/reference-materials/reference/annuitants-and-compensationers>

### **Employees Who Separate From Federal Service During Phased Retirement**

FEHB enrollment will terminate for a phased retiree who separates from Federal service for more than 3 days **and who does not enter full retirement**. The phased retiree will be entitled to a 31-day temporary extension of coverage, and can convert to an individual policy with his or her insurance carrier. He or she may also be eligible to enroll for Temporary Continuation of Coverage (TCC) in accordance with the requirements of FEHB law and regulation.

**Detailed information concerning termination, conversion, and TCC is in the FEHB Handbook at: [www.opm.gov/healthcare-insurance/healthcare/reference-materials/reference/termination-conversion-and-temporary-continuation-of-coverage](http://www.opm.gov/healthcare-insurance/healthcare/reference-materials/reference/termination-conversion-and-temporary-continuation-of-coverage).**

### **Other Benefits Programs**

The statutory authority for phased retirement and OPM's final rule do not pertain to other benefits programs for which Federal employees are eligible. These programs include the Federal Employees Dental and Vision Insurance Program (FEDVIP), Flexible Spending Account (FSAFEDS) Program, and Federal Long Term Care Insurance Program (FLTCIP). **A phased retiree will continue to be eligible to enroll for coverage under these programs or make changes to existing coverage based upon existing law and regulation. Agencies should continue to withhold applicable premiums and FSAFEDS contributions in the same manner as for full-time employees.**

Please visit [www.opm.gov/insure](http://www.opm.gov/insure) for the most up-to-date information on phased retirement and the FEHB Program. We appreciate your assistance in informing employees of these changes to benefits.

If you have any questions regarding this Benefits Administration Letter, please contact your headquarters-level agency human resources office. Agency headquarters-level human resources offices may contact the appropriate OPM office found on the point of contact listing in Attachment 1.

Sincerely,  
John O'Brien  
Director for Healthcare and Insurance

## ATTACHMENT 1

### FEHB PHASED RETIREMENT BAL – Point of Contacts

For general information on Phased Retirement, agency field offices should contact their appropriate headquarters-level agency human resources office. Agency headquarters-level human resources offices may contact the following OPM offices:

#### Pay and Leave

202-606-2858

[pay-leave-policy@opm.gov](mailto:pay-leave-policy@opm.gov)

U.S. Office of Personnel Management  
Pay and Leave, Employee Services  
1900 E Street, NW Room 7H31  
Washington, DC 20415

#### Internal Placement, Promotions, Reduction in Force, Details, and Outside Employment

202-606-0960

[employ@opm.gov](mailto:employ@opm.gov)

U.S. Office of Personnel Management  
Employee Services  
Recruitment and Hiring, Hiring Policy  
1900 E Street, NW Room 6500  
Washington, DC 20415

#### Mentoring

202-606-0913

[gwmessaging@opm.gov](mailto:gwmessaging@opm.gov)

U.S. Office of Personnel Management  
1900 E Street, NW Suite 7439  
Washington, DC 20415

#### Partnership and Labor Relations, Employee Relations

202-606-2930

[plr@opm.gov](mailto:plr@opm.gov)

U.S. Office of Personnel Management  
Partnership and Labor Relations, Employee Services  
1900 E Street, NW Suite 7H28  
Washington, DC 20415

#### Retirement Services, Benefits Officers Liaison and Development

202-606-0788

[benefits@opm.gov](mailto:benefits@opm.gov)

U.S. Office of Personnel Management  
Benefits Officers Liaison and Development, Retirement Services  
1900 E Street, NW Room SB 427

Washington, DC 20415

Planning and Policy Analysis, Federal Employee Insurance Operations

202-606-0004

[Ronald.Brown@opm.gov](mailto:Ronald.Brown@opm.gov)

U.S. Office of Personnel Management

Planning and Policy Analysis (FEIO)

1900 E Street, NW Room 4312

Washington, DC 20415

Office of the Chief Financial Officer (OCFO), Financial Services

202-606-0606

[FinancialBALs@opm.gov](mailto:FinancialBALs@opm.gov)

U.S. Office of Personnel Management

Chief Financial Officer, Financial Services

1900 E Street, NW Room 5478

Washington, DC 20415

Office of the Chief Information Officer (OCIO), Records Management

202-606-1162

[Larry.Wells@opm.gov](mailto:Larry.Wells@opm.gov)

U.S. Office of Personnel Management

Chief Information Officer, Records Management

1900 E Street, NW Room 2336

Washington, DC 20415