

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



**Information & Instructions
for Completing an
Application for
Phased Retirement
under the
Federal Employees
Retirement System (FERS)**

SF 3117
October 2014

a New Day for Federal Service

Table of Contents

	<i>Page</i>
Introduction	1
Phased Retirement Annuity	1
Phased Retirement Formula	2
<i>Basic Annuity Computation</i>	2
<i>High-3 Average Pay</i>	2
<i>Phased Retirement Formula for a Regular FERS employee.</i>	2
<i>Phased Retirement Formula for a FERS employee with a CSRS component.</i>	2
Reductions for Deposits and Redeposits	3
<i>Straight FERS Case</i>	3
<i>FERS Cases with a CSRS Component</i>	3
Post 1956 Military Deposits	5
<i>Military Service Credited under FERS Rules</i>	5
<i>Military Service Credited under CSRS Rules (in a Component Case)</i>	5
Cost of Living Adjustment (COLA)	6
Insurance: FEHB and FEGLI	6
Federal Long Term Care Insurance Program (FLTCIP), Federal Dental and Vision Program (FEDVIP), and Flexible Spending Account (FSA)	6
Court Orders	6
Commencing Date of Phased Retirement Annuity	7
Death While in Phased Employment/Phased Retirement	7
Withdrawing an Application for Phased Employment/Phased Retirement	7
Instructions for Completing the Application for Phased Retirement	8
<i>Section A - Identifying Information.</i>	8
<i>Section B - Federal Service</i>	8
<i>Section C - Marital Information</i>	8

<i>Section D - Annuity Election</i>	8
<i>Section E - Insurance Information</i>	8
<i>Section F - Other Claim Information</i>	8
<i>Section G - Information about Children</i>	9
<i>Section H - Direct Deposit and Tax Withholding Information</i>	9
<i>Section I - Applicant's Certification</i>	9
<i>Schedule A - Military Service Information</i>	9
<i>Schedule B - Military Retired Pay</i>	9
<i>Schedule C - Federal Employees' Compensation Information</i>	9
Applicant's Certification	9

Introduction

These instructions pertain to an application for phased employment/phased retirement. They should be used in conjunction with the instructions for the *Application for Immediate Retirement, Federal Employees Retirement System*, Standard Form (SF) 3107. If you are covered by the Civil Service Retirement System, you must use SF 2825 in conjunction with SF 2801 to apply for a phased retirement.

In addition to completing the application for phased retirement, you must also complete SF 3116, *Phased Employment/Phased Retirement Election* form and obtain the consent of the appropriate official in your agency.

Phased Retirement Annuity

The computation of a phased retirement annuity is based on the applicable FERS formula multiplied by the phased retirement percentage. (See next section for formula explanation.)

The percentage used to calculate the phased retirement annuity (the phased retirement percentage) is determined by subtracting the working percentage from 100 percent. The working percentage is the result after dividing the number of hours per pay period you are scheduled to work during phased employment by the number of hours per pay period you would have been scheduled to work under a full time work schedule.

Unused sick leave is not used in the computation of the phased retirement annuity. Unused sick leave will continue to accrue during phased employment according to your part time schedule and will be available for you to use until you fully retire. The amount of unused sick leave to your credit at the time you fully retire will be used in the computation of your composite retirement annuity.

Phased retirement annuity is not subject to a survivor reduction and therefore, no annuity election for a survivor can be made in the phased retirement portion of the benefit. You must make an annuity election of a survivor benefit upon fully retiring with the composite retirement annuity. If you should die while in phased employment/phased retirement status, survivor benefits will be based on provisions that apply at the time of death.

You will not be eligible to receive an annuity supplement in your phased retirement annuity. If applicable, the annuity supplement will be paid upon your final full status retirement.

Phased Retirement Formula

The phased retirement benefit is based on a percentage of your basic annuity computation adjusted for deposit and/or redeposit, if applicable.

Basic Annuity computation – The amount of your annuity depends primarily on your “high-3” average pay, length of service and retirement percentage.

High-3 Average Pay – The high-3 average pay is the highest pay obtainable by averaging the rates of basic pay in effect during any 3 consecutive years of service with each rate weighted by the time it was in effect.

Phased Retirement Formula for a Regular FERS employee – The general formula for regular FERS employees under age 62 is:

$$1\% \quad x \quad \text{“high-3” average pay} \quad x \quad \text{years \& months of creditable service}$$

For employees age 62 or over, the formula is:

$$1.1\% \quad x \quad \text{“high-3” average pay} \quad x \quad \text{years and months of creditable service}$$

(Note: Certain types of employees who perform service at a different (enhanced) accrual rate will be credited with 1.7% of average salary multiplied by the years and months of the enhanced service.)

The resulting annual benefit will be multiplied by the Retirement Percentage .

Phased Retirement Formula for a FERS employee with a CSRS component -The FERS component is computed as described above and is combined with the benefit for the CSRS component, which is subject CSRS rules:

$$1.5 \text{ percent} \quad x \quad \text{“high-3” average pay} \quad x \quad 5 \text{ years of service; } plus$$

$$1.75 \text{ percent} \quad x \quad \text{“high-3” average pay} \quad x \quad \text{years of service between 5 and 10; } plus$$

$$2 \text{ percent} \quad x \quad \text{“high-3” average pay} \quad x \quad \text{years and months of service over 10 years}$$

Note: The resulting CSRS benefit may be reduced by an actuarial reduction on a pre-March 1, 1991, CSRS redeposit or ten percent of a pre- October 1, 1982 CSRS deposit, if applicable.

The resulting annual benefit will be multiplied by the Retirement Percentage.

Reductions for Deposits and Redeposits

A “deposit” is a payment to the retirement fund to cover a period of non-deduction service (that is, service for which no retirement deductions were withheld from salary). A “redeposit” is a payment to the retirement fund to cover a period of refunded service (that is, service for which deductions were withheld from salary but later refunded to you upon a separation from federal service).

Deposits and redeposits for civilian service must be satisfied (either by payments or annuity reduction as applicable) prior to finalizing the phased retirement. Any reduction in annuity or loss of service credit at the time the amount of your phased retirement annuity is determined will be permanent. **You cannot make civilian deposits or redeposits at a later time, including at the time of full retirement status.** *Note: You may make deposits for pre and post October 1, 1982 CSRS non-deduction service, and for FERS deposit service until December 31, 1988 and/or you may make a redeposit for service ending on or after March 1, 1991 if you end your phased employment/phased retirement in order for you to resume regular employment status.*

Straight FERS case: If you do not make a deposit for non-deduction service, you will not receive credit for that service both to determine eligibility for retirement and for computation of your annuity benefit. Generally, you may not make a deposit for non-deduction service performed after December 31, 1988. If you do not make a redeposit on service for which you took a refund of your contributions, the period of refunded service will be credited for retirement eligibility but will not be credited in the computation of your annuity benefit.

FERS Cases with a CSRS Component: The effect of unpaid deposits and/or redeposits based on service attributed to FERS is described in the paragraph above. Deposits and redeposits based on service attributed to a CSRS component are credited according to CSRS rules as follows:

- **Non-Deduction Service Performed Before October 1, 1982** - If a deposit is not paid or fully paid for a period of non-deduction service performed before October 1, 1982, the service period will be included in your annuity computation but the annual benefit will reduce by 10% of the deposit amount due. Upon computing your composite annuity at your final full status retirement, this amount will be updated with additional interest through your final separation date.
- **Non-Deduction Service On or After October 1, 1982** - If a deposit is not paid or fully paid for a period of non-deduction service performed on or after October 1, 1982, the service period will be credited for title towards retirement but will not be included in your annuity computation.
- **Refunded Service Which Ended Before March 1, 1991** - If a redeposit is not paid or fully paid for a period of refunded service that ended before March 1, 1991, the service period will be included in your annuity computation but your annuity will be permanently, actuarially reduced. The amount of the reduction will be based on the total amount of redeposit due divided by a factor representing your age at retirement. *Note: if you do not make a full redeposit of this amount, the actuarial reduction will apply to ALL subsequent retirements, regardless of the type. This is because the actuarial reduction is considered a repayment for the period and therefore, it is no longer considered a period of redeposit service.*
- **Refunded Service Which Ended On or After March 1, 1991** - If you do not fully pay a redeposit based on a refund for service performed on or after March 1, 1991, you will receive no credit for this service in your annuity computation. However, this period will be credited for title towards retirement.

Deposits and redeposits for civilian service must be fully paid either prior to entry into phased retirement status or no later than 30 days after you receive a Service Credit election letter upon adjudication of your phased retirement. If you choose not to pay or fully pay a deposit and/or redeposit at the time of your phased retirement, the loss of service credit for those service periods will be permanent. **You cannot make civilian deposits or redeposits at a later time, including at the time of full retirement status.**

Note: You may make further payments on deposits and redeposits if your phased retirement ends in order for you to resume regular employment status.

Post 1956 Military Deposits

Military Service Credited under FERS Rules: If you performed military service on or after January 1, 1957, you may pay a deposit to cover the service. Military deposits for military service performed before entry into phased retirement must be paid in full prior to entry into phased retirement status. If you wish to make a military service deposit for military service performed during phased employment/phased retirement (*i.e.*, due to a call up for active military service during phased employment) you must complete the deposit before separation from phased employment (*i.e.*, the day before the commencing date of your composite annuity retirement). You will not receive any retirement credit for your post-1956 military service if you do not make the deposit as described in this section.

Military Service Credited under CSRS Rules (in a Component Case):

- ***If you were first employed in a position subject to civil service retirement before October 1, 1982:*** We will credit your military service until age 62 if you do not make the deposit. If you do not make the deposit and you are eligible for Social Security benefits at age 62, your annuity will be recomputed at age 62 to eliminate credit for the post-1956 military service. If you are age 62 or older when you enter into phased retirement and are eligible for Social Security benefits, no credit for post-1956 military service will be allowed in the computation of your annuity unless you pay the deposit.
- ***If you were first employed in a position subject to civil service retirement on or after October 1, 1982:*** You will not receive any retirement credit for your post-1956 military service if you do not make the deposit as described in this section.
- If you have questions concerning the payment of a military deposit, contact your employing agency. ***Failure to pay the deposit to your agency as described in this section voids any further right to pay it at a later date.***

Note: You may make further payments on a military deposit if your phased retirement ends in order for you to resume regular employment status.

Cost of Living Adjustment (COLA)

Under FERS, you will not be eligible for a cost of living increase until you reach age 62. However, if you have a CSRS component, you will be entitled to an immediate COLA on that portion. If you have a CSRS component or are age 62 in the year you retire, the first cost of living increase you receive will be prorated to reflect the number of months you are on the retirement roll before the increase is effective.

Insurance: FEHB and FEGLI

Federal Employees Health Benefit (FEHB) enrollment and Federal Employees' Group Life Insurance (FEGLI) enrollment will stay with the employing agency. The FEHB employer contribution will be the same as for full-time employees. FEGLI benefit coverage amounts will be based upon the full time salary for the position.

Federal Long Term Care Insurance Program (FLTCIP), Federal Dental and Vision Program (FEDVIP), and Federal Flexible Spending Account (FSAFEDs)

For purposes of the Federal Long Term Care Insurance Program, Federal Dental and Vision Program and the Flexible Spending Account Feds program, you are considered an employee and can continue these programs with the employing agency.

Court Orders

Phased retirement annuities will be subject to court orders providing for division, allotment, assignment, execution, levy, attachment, garnishment, or other legal process on the same basis as other annuities.

Commencing Date of Phased Retirement Annuity

The commencing date of a phased retirement annuity is the first day of the pay period after phased retirement is approved by the authorized agency official in your agency or the first day of a later pay period specified by you with the concurrence of the authorized agency official.

Death While in Phased Employment/Phased Retirement

If you should die while in phased employment/phased retirement, your survivor benefit will be processed as a death in service. As such, your survivor can make deposits or redeposit that are outstanding.

The Basic Employee Death Benefit will be based on your deemed full time salary.

Withdrawing an Application for Phased Employment/Phased Retirement

You may cancel your approved election to enter phased employment/phased retirement and withdraw the application for retirement by submitting a signed written request to the agency and obtaining the approval of the authorized agency official before the effective date of the phased employment/phased retirement.

Instructions for Completing the Application for Phased Retirement

Section A – Identifying Information

You must complete all items in this section except for item # 8, regarding a disability application, which is not applicable. Please refer to the *Instructions for Completing Application* on Standard Form (SF) 3107 for detailed information pertaining to completing this Section.

Section B – Federal Service

You must complete all items in this section except for item #2, which is not applicable since you will not be finally separating from your agency. Please refer to the *Instructions for Completing Application* on SF 3107 for detailed information pertaining to completing this Section.

Section C – Marital Information

You must complete #2 to indicate whether you have a living former spouse(s) to whom a court order gives a portion of your retirement benefits based on your Federal employment. Please refer to the *Instructions for Completing Application* on SF 3107 and pamphlet SF 3113 for more information on Court Orders.

Completing item 1 through 1f is optional. Your marital information is not used in your phased retirement and will be collected at your final full status retirement.

Section D – Annuity Election

Skip this section. Your annuity election is not a component of your phased retirement but will be a mandatory element of your final full status retirement and will be required at that time.

Section E – Insurance Information

Skip this section. This section does not apply to phased retirement as you will continue both FEHB and FEGLI as an employee, if applicable.

Section F – Other Claim Information

You must complete all items in this section. Please refer to the *Instructions for Completing Application* on SF 3107 for detailed information pertaining to completing this Section.

Section G – Information about Children

Complete this section, if applicable. Information about your children in your annuity claim file may help to expedite the processing of claims for survivor benefits in the event of a death in service. Please refer to the Instructions on Standard Form (SF) 3107 and SF 3113 for detailed information pertaining to completing this Section.

Section H – Direct Deposit and Tax Withholding Information

You must complete all items in this section. Please refer to the Instructions for Completing Application on SF 3107 and pamphlet SF 3113 for detailed information pertaining to completing this Section.

Section I – Applicant’s Certification

Be sure to sign (*do not print*) and date your application after reviewing the warning.

Schedule A – Military Service Information

If applicable, you must complete all items in this Schedule. Please refer to the *Instructions for Completing Application* on SF 3107 for detailed information pertaining to completing this Schedule. Please note that you must pay your military deposit in full to your agency no later than the day before the effective date of your phased retirement. You will not have an opportunity to pay a deposit for previous military service during your phased employment or as of your full retirement status.

Schedule B – Military Retired Pay

If applicable, you must complete all items in this Schedule. Please refer to the *Instructions for Completing Application* on SF 3107 for detailed information pertaining to completing this Schedule.

Schedule C – Federal Employees’ Compensation Information

If applicable, you must complete all items in this Schedule. Please refer to the *Instructions for Completing Application* on SF 3107 for detailed information pertaining to completing this Schedule.

Applicant’s Certification

Be sure to sign (*do not print*) and date this portion if you have completed any part of it.



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