

# Retirement With Training Wheels

By Tammy Flanagan

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Are you in the home stretch of your federal career? That last lap can be the hardest for many employees. Some face uncertainty, fear and anxiety about the decision to retire after a career of federal service. For others, the feelings include excitement, joy and a sense of impending freedom. Either way, it sometimes makes sense to gradually make the transition.

That's where phased retirement comes in. It offers the possibility of easing into the next stage of life without unexpected surprises and with time to explore the activities that you will pursue in your life after retirement.

Congress provided the opportunity for federal employees to phase into retirement in legislation passed in July 2012. Four years later, only a small number of federal agencies have actually implemented phased retirement, and just a handful of employees across government have opted take the baby-step approach to retiring. That may be changing, though. Last month, the [Defense Department rolled out its phased retirement plan](#), which opened up the option to a huge group of employees and could spur other agencies to follow suit.

As more agencies and workers begin the phased retirement process, I thought it would be worthwhile to take a step back and look at how it works and the advantages it could provide to some employees.

## The Basics

Phased retirement is a voluntary but mutually agreed-upon option between an employee and an agency in which the employee continues to work part-time while receiving a partial retirement benefit. At the end of the phased retirement period, the employee moves into full retirement and receives credit in his or her retirement benefit for the period of employment during the time served as a phased retiree.

The agency has the discretion to set the amount of time an employee can serve as a phased retiree. My experience has been that most agencies want the period to be relatively short. One agency, for example, has limited the initial period to six months, with an option to consider an extension—but no longer than 18 months total. At the Library of Congress, each phased retiree is allowed up to a one-year period, with a mutual option to extend it another six months. Those and other terms may change, depending on the agency's evaluation of the program.

Agencies who have implemented phased retirement provide employees with written guidance on time limits, work schedules, and other specific rules for entering and exiting phased retirement status. During phased retirement, employees can continue to contribute to their Thrift Savings Plan and earn leave on a prorated basis. Employees subject to Social Security withholding will continue to pay Social Security taxes on their part-time salary.

## Requirements

Under the law, employees who enter phased retirement work 50 percent of a full time schedule. During phased retirement, they are considered employees for the purpose of death-in service benefits and insurance coverage. They receive half of their retirement benefit. Those under the Federal Employees Retirement System do not receive the [FERS Supplement](#) while serving in phased retirement.

Phased retirees must spend 20 percent of their time (eight hours per pay period) mentoring or training the employees who will fill the position vacated by the phased retiree. Agencies are responsible for providing guidance and have some discretion in determining exactly what such mentoring will involve. The mentoring requirement could include working directly with less experienced employees, providing written guidance or documenting one's work experience.

Other requirements laid out in the law include:

- The employee must work full-time for the three-year period immediately before entering phased retirement.
- He or she must meet specific age and service requirements. (For the Civil Service Retirement System, they are: at least age 55 with at least 30 years of creditable service, or at least age 60 with 20 or more years of creditable service. For FERS, the phased retiree must be at least the [FERS minimum retirement age](#) with at least 30 years of creditable service, or at least age 60 with 20 or more years of creditable service.)
- Certain employees are excluded from participating in phased retirement, including law enforcement officers, firefighters, nuclear materials couriers, air traffic controllers, members of the Capitol Police and Supreme Court Police, most Customs and Border Protection officers, and employees covered under a special work schedule authority that does not allow for a regularly recurring part-time schedule.

Next week, we'll look in a little more detail at whether phased retirement might be a good option for you.

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