

A Phased Retirement Q&A

By Tammy Flanagan

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Clearly, a lot of federal employees are interested in the idea of stepping gently into retirement using the new phased retirement option being unveiled this fall. I've received quite a few questions from employees about how phased retirement will work. The answers to some of them will have to wait until agencies [issue their individual guidance](#) for implementing the program. The Office of Personnel Management will be issuing [separate guidance here](#) to assist agencies and employees with administrative and procedural matters.

For now, let's look at some of the questions that already have answers.

How will my retirement benefit be computed before and after I enter phased retirement?

Here's the [answer from OPM](#): "Upon entry into phased retirement, OPM will compute the employee's 'phased retirement annuity' using the three highest consecutive average pay years the employee had accrued up until that point. During phased retirement, if a new high-three average pay were to accrue, it would be reflected in the computation of the composite annuity. At full retirement, the 'phased retirement annuity' portion of the employee's annuity would not change; but, the 'fully retired phased component' portion would take the new average pay into account. Therefore, a new high-three average pay achieved during phased retirement would only affect the portion of the total annuity, but not the portion of the composite annuity consisting of the 'phased retirement annuity.' "

How will my Thrift Savings Plan be affected?

Phased retirees continue their eligibility to participate in the TSP. They are eligible to contribute to the plan and are subject to the normal restrictions regarding loans, financial hardship withdrawals and age-based in-service withdrawals. Phased retirees are not eligible for post-employment withdrawals, and they will not be subject to required minimum distributions or the TSP withdrawal deadline.

All sources of contributions (employee contributions, agency automatic contributions, and agency matching contributions) to phased retirees' TSP accounts will be calculated on basic pay received each pay period and will not consider Civil Service Retirement System or Federal Employees Retirement System annuity payments.

More information on the TSP and phased retirement is [available here](#).

What about leave issues?

Those in phased retirement status will accrue half the leave they would previously have earned each leave period because they will be on a 50 percent time schedule. Employees who enter phased retirement must have

a minimum of 20 years of federal service, so they will earn four hours of annual leave and two hours of sick leave each leave period.

A phased retiree's lump sum payment for annual leave is paid at the time he or she enters full retirement.

Phased retirees will not ordinarily earn compensatory leave since they are usually going to be working 40 hours per pay period. However, a phased retiree could potentially earn overtime or compensatory time off if he or she worked in excess of their scheduled tour of duty.

How does phased retirement affect Federal Employees Health Benefits Program and Federal Employees Group Life Insurance benefits?

Here are the basics:

- Premiums for FEHBP and FEGLI will continue to be deducted from the phased retiree's salary.
- The FEHBP employer contribution will be the same as for full-time employees.
- FEGLI coverage amounts will be based on the full time salary for the position.
- FEHBP and FEGLI coverage will be transferred to retirement when full retirement begins.

I have a colleague who might be interested in phased retirement but has been working part time for several years. Is there anything in the rule regarding the transition from part time to phased retirement?

Unfortunately, to enter phased retirement, you must have been working full time for the three years before phased retirement begins.

Here are some other important facts to remember about phased retirement:

- Deposits, redeposits and military service deposits to the retirement fund, under either CSRS or FERS, must be paid prior to entering phased retirement.
- Death-in-service benefits are payable to a spouse or former spouse if a phased retiree dies before full retirement. Survivor elections are made at full retirement. Phased retirement annuities and pay are subject to the same court orders and decrees for child support and alimony as regular annuities and federal pay.
- Phased employees are only permitted to work 50 percent of their full-time work schedule. This is subject to change at OPM's discretion.
- Agencies are allowed to establish time limits on phased retirements.

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<http://www.govexec.com/pay-benefits/retirement-planning/2014/08/phased-retirement-q/92075/>