

## Retired and Rehired

By Tammy Flanagan

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The new [phased retirement](#) option has been getting lots of attention lately, but there are other options for continuing to work for government after retirement that have been around a lot longer. In fact, there are three of them.

### **Personal Services Contractor**

The first involves an agreement between a retiree and his or her agency to be rehired under a personal services contract. This involves providing a predetermined amount of compensation for a prescribed amount of work to be completed. In these cases, the individual is reemployed, but without any benefits of federal employment.

Those under a personal services contract receive a 1099 form from the IRS at the end of the year rather than W-2 that employees receive, since they are being paid a fee for a service. For tax purposes, contract workers are self-employed and responsible for both the employer and employee share of taxes due.

### **Contractor Employee**

Another way for an employee to be rehired into the same or similar work would be to work for a private sector company that does business with the federal government. In this situation, the employee retires and then is rehired by a company that holds a contract with a particular agency. An agreement about work schedule, salary and any other benefits would be discussed as part of the employment agreement. Many of these jobs are at large defense contractors and consulting firms.

Both contractor employees and those working under professional services contracts are no longer federal employees. Therefore, the costs of benefits such as health and life insurance firms would be deducted from their federal retirement benefits. Phased retirement offers the opportunity to continue receiving federal employee benefits and the ability to continue to increase your retirement benefit. That's because under phased retirement, you don't fully separate from federal service. It's better than working part time from the standpoint that you are treated as a full-time employee for health and life insurance coverage and premiums. And, of course, you get half of your retirement benefit at the same time.

### **Reemployed Annuitant**

The last option that recent retirees can use to continue federal work is to become a reemployed annuitant with an agency. Reemployed annuitants are people who have separated from federal service for retirement who subsequently return to federal employment. They continue to receive their full annuity benefit during their reemployment but their salary is offset by the amount of the annuity attributable to the period of reemployment. Reemployed annuitants serve at the will of the agency and can be separated from employment at any time.

The National Defense Authorization Act of 2010 created a variation of the reemployed annuitant program that avoids the salary offset. Under this provision, reemployed individuals can only serve under appointments limited to a year or less. An annuitant can't work under the authority for more than 520 hours during the period ending six months after his or her retirement; for more than 1,040 hours during any 12-month period; or for more than a total of 3,120 hours. The authority for these offset waivers will expire on Oct. 27, 2014 -- just a little more than a week before the first phased retirements can begin. The authority could be extended by an act of Congress, but the jury is still out on whether that will happen.

## **Weighing Your Options**

I've been getting questions about whether it is better to opt for phased retirement or choose one of these other alternatives for returning to federal work. You can be sure that training programs are under development at agencies to help federal employees interested in participating in phased retirement. I'm already preparing to host a webinar on the fundamentals of phased retirement. If you are unable to participate in training on this topic at your agency and you would like to be on the priority list to participate in the webinar, you can [sign up here](#).

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