

THE PHASED RETIREMENT DECISION

Main Features of Phased Retirement vs. Other Options

	Continued Employment	Retirement with No Employment or Self-employment	Phased Retirement	Retirement with Re-employment by Government	Retirement with Self-Employment or Employment Outside Government
Income	Salary rate of position	Earned federal annuity (c)	Half of earned federal annuity as of time of retirement (e); plus half of salary rate of position	Typically, federal annuity continues with salary offset by amount of annuity (f)	Federal annuity is paid with no offset against earnings; Social Security Earnings Test may apply
Health Insurance	Eligible with employer paying about 70 percent of premiums; enrollee share typically paid with pre-tax income	Same as Continued Employment except that enrollee share can't be paid with pre-tax income (d)	Same as Continued Employment	Same as Continued Employment	Same as Retirement with No Employment or Self-employment; separate benefits may be available through new employer
Life Insurance	Eligible for basic, optional and family insurance, with accidental death and dismemberment benefit; employer pays part of Basic coverage; enrollee pays all other costs	Can continue basic, optional and family insurance, in full or reduced but not increased, and without accidental death and dismemberment benefit and no employer share of Basic coverage (d)	Same as Continued Employment (note: coverage amounts are based on full-time salary rate of position)	Same as Continued Employment	Same as Retirement with No Employment or Self-employment; separate benefits may be available through new employer
Dental-Vision Insurance	Eligible; premiums must be paid with pre-tax income; enrollee pays full premium	Same except that premiums can't be paid with pre-tax income	Same as Continued Employment	Same as Continued Employment	Same as Retirement with No Employment or Self-employment; separate benefits may be available through new employer

Long Term Care Insurance	Eligible; premiums can't be paid with pre-tax income; enrollee pays full premium	Same	Same	Same	Same; separate benefits may be available through new employer
Flexible Spending Accounts	Can set aside annually up pre-tax up to \$5,000 for dependent care and up to \$2,550 for certain health care costs not covered by health insurance	Not eligible	Same as Continued Employment	Same as Continued Employment	Not eligible but similar program may be available through new employer
Thrift Savings Plan	Can invest up to \$18,000 annually plus additional \$6,000 if age 50 or older (a); can take loans and make limited withdrawals	Cannot continue to invest or take loans but can withdraw money through variety of options or within limits leave it on investment	Same as Continued Employment	Same as Continued Employment	Same as Retirement with No Employment or Self-employment; similar program may be available through new employer
Social Security	Future benefits grow due to additional years of service and, if applicable, salary growth (b)	If eligible, payments can begin as soon as age 62 but reduced; at "normal" level at age 66; or with enhancement for delay up to starting at age 70	Same except that individuals who had begun drawing benefits could be subject to Earnings Test offset up to age 66	Same as Phased Retirement	Same as Phased Retirement
Growth of Federal Retirement Income	Future benefits grow due to additional years of service and, if applicable, salary growth (c)	Benefit increased annually by inflation adjustment, which is less generous in some circumstances for FERS retirees than for CSRS retirees and typically not paid	Earned annuity portion increased by inflation adjustment under standard policy during phased retirement; benefit recalculated at full retirement to take into account additional	Earned annuity increased by inflation adjustment under standard policy; in some cases, benefit recalculated at end of reemployment to take into	Same as Retirement with No Employment or Self-employment; other benefits may be available through new employer

		under FERS until age 62	service during phased retirement period	account additional service (g)	

- (a) Investment can be made on pre-tax basis making investments and associated earnings taxable on withdrawal, or on after-tax basis that is tax-free on withdrawal, as are associated earnings if certain conditions are met. The two types of investing combined must be within the dollar limits. Calculators for projecting account growth in the Thrift Savings Plan using various savings levels, rates of return and time of investment are available at <https://www.tsp.gov/planningtools/planningtools.shtml>.
- (b) A calculator allowing you to project Social Security benefits under varying assumptions regarding earnings, length of career and age to begin drawing benefits is at <http://www.ssa.gov/estimator>. Other calculators linked from that site project the potential effects of various potential reductions.
- (c) The Federal Ballpark Estimator on the Office of Personnel Management site www.opm.gov/retirement-services/calculators/federal-ball-park-estimator includes projected federal annuity amounts under each retirement system, allowing tailoring for years of service, high-three salary level and other factors.
- (d) For health and life insurance, continued coverage in retirement generally requires coverage for the five years prior to retirement, although there are exceptions. For those not eligible, benefits can be converted to private policies at enrollee's full cost. No service requirement applies under vision-dental or long term care insurance.
- (e) Benefit does not include credit for unused sick leave nor is it reduced for survivor benefit; survivor benefits on death during phased retirement are treated on same terms as active employee. Sick leave is credited in recalculation of annuity on later full retirement.
- (f) Under certain circumstances, annuity is stopped. Under others, employee is allowed to draw both a full retirement benefit and a full salary.
- (g) An annuity supplement is paid on end of reemployment to those who either worked on a full-time continuous basis for at least one year or the equivalent as a part-timer.

The annuity is redetermined for those who worked at least five years or the part-time equivalent. Those reemployed under an exception allowing full receipt of both salary and annuity typically are not eligible for these enhancements.