



## ***Benefits Administration Letter***

Number 14 - 110

Date: 10/23/2014

### **Subject: Instructions for Personnel and Payroll Offices**

**Background:** OPM published final regulations on August 8, 2014, to implement phased retirement. Phased retirement was signed into law on July 6, 2012, and it allows certain employees who already meet specific age and service requirements to elect to transition into retirement. Employees in a phased retirement status continue to work on a part-time basis and draw partial retirement benefits during their continued employment.

An employee in phased retirement status is still an employee for all purposes unless otherwise specified in law or regulation. The employing agency continues to maintain the employee's Federal insurance coverage. The employee may continue to contribute to the Federal Thrift Savings Plan. If the employee dies while in phased retirement status, death benefits are based on CSRS and FERS provisions for deceased employees. While most employees in phased retirement status will transition into full retirement status, some employees in phased retirement status may elect to opt out of phased retirement status and return to the status of a regular employee. Phased retirement is not an employee right. Elections to enter into, or opt out of phased retirement status require the mutual consent of both the employee and the employing agency.

This BAL is part of a series of several BALs covering Phased Retirement. OPM will release a series of BALs announcing the availability of the phased retirement election form and instruction pamphlets and checklists to accompany the CSRS and FERS applications as soon as they are available.

The phased retirement statutory provisions can be found at 5 U.S.C. 8336a and 5 U.S.C. 8412a and the regulations can be found at 5 CFR part 831, subpart Q, and 5 CFR part 848.

This BAL provides instructions for personnel and payroll offices on phased retirement elections. Use *The Guide to Processing Personnel Actions* to obtain information on processing personnel actions. Also, see BAL 14-307, Phased Retirement Instructions for Payroll Offices for more information on the codes for processing actions.

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## **Section 1: Electing Phased Retirement and the Effective Date of the Election**

### **1.A. Completing Election Form to enter Phased Retirement status**

To elect phased retirement, the employee and approving agency official must complete Part 1A of Standard Form (SF) 3116, *Phased Employment/Phased Retirement Status Elections*. One copy of this completed form will be included in the retirement package and a second copy will be placed on the left hand side of the Official Personnel Folder (OPF).

### **1.B Completing the Retirement Application**

The employee will complete only certain areas of the appropriate CSRS or FERS retirement application (SF 2801 or SF 3107). Instruction pamphlets, SF 2825 and SF 3117, will be available to provide guidance for completing the CSRS and FERS applications respectively. The agency will prepare a retirement package, to include the original copy of the *Phased Employment/Phased Retirement Status Elections* form (SF 3116) and all necessary documentation needed to process the retirement. New checklists will also be made available in a future BAL for further guidance to agency personnel on what to include in the retirement package.

. The payroll provider will close out the Individual Retirement Record (IRR), posting the effective date of phased employment/phased retirement status (NOAC 615) as the final action; and together with the retirement package, the IRR will be sent to OPM via the regular retirement process (register, DEG file... ). Detailed guidance for completing the IRR is provided in a chart at the end of this Section

### **1.C. Effective Date of the Election**

A phased retirement annuity begins (commences) on the first day of the pay period following an authorized agency official's approval of an employee's phased retirement election. Alternatively, the effective date of the election may be on the first day of a later pay period as specified on the employee's election form as long as it has the concurrence of the authorized agency official.

The term "effective date" designates when a personnel action goes into effect. The term "commencing date" designates when a CSRS and FERS annuity begins.

The effective date and the commencing date for phased retirement are the same date for the purposes of the phased retirement annuity. The effective date is located on Part 1A of

the Election Letter and it will be posted on the Individual Retirement Record (IRR) as the last action: “Employee in Phased Retirement Status”.

#### **1.D. Processing the Personnel Action**

- Entry into Phased Retirement NOA 615
- Phased Retirement Work Schedule Code R (SF 50 Box 32)
- Part-time hours per week reflects working percentage (SF 50 Box 33)
- Provide required remarks on the SF 50:
  - M11 – A change to the work schedule or the part-time hours worked during phased employment/phased retirement status will result in the termination of phased employment/phased retirement status and the phased retirement annuity.
  - M12 – Employee may elect to enter full retirement status at any time by submitting application SF 2801 for CSRS or SF 3107 for FERS.
  - M13 – If employee’s Phased Retirement terminates for any reason, the individual may not re-elect Phased Retirement.
  - M14 – Employee is required to spend 20% of their time mentoring.
  - M15 – FEHB/FEGLI benefits are not affected by phased employment/phased retirement.

See The Guide to Processing Personnel Actions for information on how to process the personnel action.

#### **1.E. Submitting Personnel and Payroll Records to OPM**

- NOAC 615 prompts closeout of IRR effective retirement date
- Associate SF 3116, appropriate immediate retirement application and IRR and send on a register to OPM
- New DEG value for “Annuity Case Type”: 0 (for initial phased retirement)

Nature of Action Code	Payroll	Agency HR/SSC
<b>615 - Phased Employment/ Phased Retirement</b>	<p><b>Phased Retiree FEHB and FEGLI Premium Withholding</b></p> <ul style="list-style-type: none"> <li>• Work Schedule R code prompts withholding of FEHB and FEGLI premiums as if phased retiree were working full time.</li> </ul> <p><b>Individual Retirement Record (SF 2806/SF 3100)</b></p> <p>Prompts closeout of IRR effective the begin date of phased retirement.</p> <ul style="list-style-type: none"> <li>• The NOA description and effective date should be on this IRR but no contributions for this day should be posted on this IRR.</li> <li>• All service history prior to the effective date of phased retirement should be on the closeout IRR.</li> <li>• All agency CY contributions and cumulative totals to (but not including) the effective date of phased retirement should be on the closeout IRR.</li> <li>• All Leave Without Pay (LWOP), including LWOP for OWCP, should be posted on the closeout IRR if applicable for any period of service represented by the IRR.</li> <li>• All intermittent hours/days worked should be posted on the closeout IRR if applicable for any period of service represented by the IRR.</li> <li>• All part time hours worked and tour of duty information should be posted on the closeout IRR if applicable for any period of service represented by the IRR</li> <li>• Notation on whether military deposit was completed at the agency should be posted.</li> <li>• Closeout IRR <u>should not have</u> FEGLI, FEHB, Unused Sick Leave or Last Day of Pay notations.</li> <li>• Closeout IRR should be associated with retirement application package and sent on register to OPM.</li> </ul> <p>NOA 615 prompts beginning date on a <u>new IRR</u> that agency will continue to maintain through the phased employment/phased retirement status.</p> <ul style="list-style-type: none"> <li>• The <u>same</u> NOAC (615) and the same effective date as was posted on the close-out IRR should be posted on the new IRR as the first Service Action. Deductions will begin on this date.</li> </ul> <p><b>Data Exchange Gateway File (DEG):</b> New DEG Value for “Annuity Case Type” 0 (zero) for “initial phased retirement”. OPM requests the agency annuity estimate amount be entered on the DEG when available.</p>	<p><b>Affected HR Code:</b> Work Schedule Changes to code: <b>R</b></p> <p><b>Retirement Actions:</b> Submit a Retirement application (completed per Instructions for Phased Retirement, SF 2825 - CSRS, SF 3117 - FERS) and Phased Retiree Election Form, SF 3116. Retirement package should be sent to payroll provider to associate with the closeout IRR.</p>

## **1.F. Withdrawing an Election for Phased Retirement**

An employee in phased retirement status may cancel his or her approved election to enter phased retirement status and withdraw the application for phased retirement by submitting a signed written request with the agency and obtaining the approval of the authorized agency official before the effective date of the employee's phased retirement status. However, the election cannot be withdrawn if OPM has received a court order affecting the annuity benefits.

## **Section 2: Electing Full Retirement Status**

### **2.A. Completing the Retirement Application**

An employee in phased retirement status may elect to enter full retirement status at any time by submitting an application, SF 2801 for CSRS and SF 3107 or FERS, to their Human Resource Office. New instruction pamphlets (SF2826 for CSRS and SF 3118 for FERS) will be available to provide guidance for completing the applications. The agency will prepare a retirement package to include all necessary documentation needed from the phased employment period (e.g. FEHB and FEGLI forms) to process the retirement. The payroll provider will close out the Individual Retirement Record (IRR), posting the appropriate retirement Nature of Action Code 307 (Full Retirement Status-Voluntary) or 308 (Full Retirement Status – Involuntary). Together with the retirement package, the IRR will be sent to OPM via the regular retirement process (register, DEG file... ). Detailed guidance for completing the IRR is provided at the end of this Section.

### **2.B. Processing the Personnel Action**

See The Guide to Processing Personnel Actions for information on how to process the personnel action.

### **2.C. Submitting Personnel and Payroll Records to OPM**

- NOAC 307 prompts closeout of IRR effective retirement date
- Associate appropriate immediate retirement application and IRR and send on a register to OPM
- New DEG value for “Annuity Case Type”: 9 (for final phased retirement)

Nature of Action Code	Payroll	Agency HR/SSC
<p><b>307- Full Retirement Status-Voluntary</b></p>	<p><b>Individual Retirement Record (SF 2806/SF 3100)</b></p> <p>Notate the IRR with description of Nature of Action Code 307: Full Retirement Status-Voluntary.</p> <p>Close out this IRR per regular process for a retirement.</p> <p>Post the mandatory data on the IRR including - Last Day of Pay, Unused Sick Leave, FEHB plan, FEGLI coverage, military deposit status.</p> <ul style="list-style-type: none"> <li>Note that the military deposit status should reflect the status of a deposit during the phased retirement period only. (There will be very few situations where there would be an allowable military deposit payment).</li> </ul>	<p><b>Retirement Actions:</b> Submit a Retirement application (completed per Instruction pamphlet, SF 2526 - CSRS, SF 3118 - FERS). Associate all the FEHB and FEGLI documents and any other documentation needed to support the phased employment service or benefit elections. Retirement package should be sent to payroll provider to associate with the closeout IRR.</p>

<p><b>NOAC 308 - Full Retirement Status-ILIS</b></p>	<p><b>Individual Retirement Record (SF 2806/SF 3100)</b></p> <p>Notate the IRR with description of Nature of Action Code 308: Full Retirement Status-ILIS</p> <p>Close out this IRR per regular process for a retirement.</p> <p>Post the mandatory data on the IRR including - Last Day of Pay, Unused Sick Leave, FEHB plan, FEGLI coverage, military deposit status.</p> <ul style="list-style-type: none"> <li>Note that the military deposit status should reflect the status of a deposit during the phased employment/phased retirement period only. (There will be very few situations where there would be an allowable military deposit payment).</li> </ul>	<p>Submit a retirement application (SF 2801, SF 3107) completed per Instruction Pamphlets SF 2826 for CSRS, 3118 for FERS and associate all the FEHB and FEGLI documents and any other documentation needed to support the phased employment service, type of separation or benefit elections (e.g., OPM Form 1510, notice to phased retiree of involuntary separation, spousal consent form, marriage certificate....)</p>
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**Data Exchange Gateway File (DEG):** New value for “Annuity Case Type” Line 210:  
9 for “phased full”

OPM requests the **Agency Annuity Estimate Amount** be entered on the DEG when available.



### **Section 3: Employees in Phased Retirement Status who Elect to Opt Out of Phased Retirement Status and Return to Regular Employee Status**

#### **3.A. Completing Election Form to Opt Out of Phased Retirement status**

To opt out of phased retirement, the employee and approving agency official must complete Part 2A of the SF 3116 and send a copy to OPM's point of contact email address: [phasedret@opm.gov](mailto:phasedret@opm.gov).

#### **3.B. Processing the Personnel Action**

- Opt Out Phased/Employment/Nature of Action Code (NOAC) 616
- Change Annuitant indicator to W, X, Y for CSRS retiree or M, N, P for FERS retiree
- Provide required remarks on the SF 50:
  - M16 – The time spent in phased employment/retirement status will be credited as part-time service for annuity calculation purposes.
  - M17 – Employee's phased retirement annuity is terminated.

See The Guide to Processing Personnel Actions for information on how to process the personnel action.

#### **3.C. Submitting Personnel and Payroll Records to OPM**

No IRR is submitted when an employee opts out of phased retirement.

Nature of Action Code	Payroll	Agency HR/SSC
<b>616- Opt out Phased Employment/Retirement</b>	<b>Individual Retirement Record (SF 2806/SF 3100)</b> <ul style="list-style-type: none"> <li>• None</li> </ul>	<b>Affected HR Code:</b> Work Schedule Changes to code: <b>F</b>  Annuitant Indicator changed to <b>W, X, Y</b> – <b>CSRS, M, N, P - FERS</b>  <b>Retirement</b> <b>Actions:</b> Fax completed SF 3116 Part 2a to: <a href="mailto:phasedret@opm.gov">phasedret@opm.gov</a>

#### **Section 4: How an employee in phased retirement status can temporarily work more hours than their scheduled working percentage**

An authorized agency official may order or approve an employee in phased retirement status to perform hours of work in excess of the officially established working schedule in rare and exceptional circumstances that meet the following conditions:

- The work is necessary to respond to an emergency posing a significant, immediate and direct threat to life or property and there is no other qualified employee available to perform the required work. But, if an agency can anticipate an emergency they should make advanced plans to minimize any necessary excess work by phased employees/phased retirees.
- The employing agency must inform the employee in phased retirement status and his or her supervisor that there are limitations on hours worked in excess of the officially established part time working percentage and that records must be maintained to document the exception to the working schedule. These records must be retained for at least 6 years and be readily available to auditors.
- The agency must also inform the employee in phased retirement status that any basic pay received for hours worked outside the officially established part time work schedule or working percentage, are subject to retirement deductions and agency retirement contributions but will not be included in computing retirement benefits.

There is more information on granting an exception to the established work schedule of an employee in phased retirement status in the regulations in 5 CFR 831.1715 and 5 CFR 848.205.

#### **Section 5: Move to Another Agency**

##### **5.A. Election to Continue as an Employee in Phased Retirement Status upon a Move to another Agency**

An employee in phased retirement status may move, without a break in service of more than three calendar days, to another agency and retain his or her phased retirement status only if the change would not result in a change in the working percentage.

To move to another agency during phased retirement, the employee in phased retirement status and the approving official from the receiving agency must complete Part 3A of the SF 3116 and send a copy to OPM's point of contact email address: [phasedret@opm.gov](mailto:phasedret@opm.gov). The phased retiree must also submit the SF 3116 to the current (losing) agency and it should be stored on the right hand side of the OPF or eOPF.

## **5.B. Election to Discontinue Phased Retirement Status upon a Move to Another Agency**

If an employee in phased retirement status moves to another agency without a break in service of more than three calendar days and the new agency does not approve the employee's continued participation in phased retirement status or the employee wishes to discontinue phased retirement status with the new agency, the employee's phased retirement status will end. Phased retirement status ends effective at the end of the day on the last day of employment with the current agency.

To end phased retirement status upon a move to another agency, the employee in phased retirement status should complete Part 3B of SF 3116 and provide it to [which HR? old or new?]. A copy of this form is sent to the [phasedret@opm.gov](mailto:phasedret@opm.gov) email address to alert OPM to the effective date of termination of the phased retirement annuity. See section 5.B Employees in Phased Retirement Status who Elect to Opt Out of Phased Retirement Status and Return to Regular Employee Status in BAL 14-109. Also see The Guide to Processing Personnel Actions for information on documenting the personnel action.