



Benefits Administration Letter

Number: 14-307

Date: August 2014

Subject: Phased Retirement Instructions for Payroll Offices

Introduction

The Office of Personnel Management (OPM) has published final regulations on Phased Retirement in the Federal Register on August 8, 2014. On November 6, 2014, OPM will begin accepting and processing any phased retirement applications it receives from the agencies.

OPM is issuing this guidance to implement phased retirement. These are the final codes agencies, payroll providers, and Shared Service Centers will need.

New Values for Nature of Action, Nature of Action Code, and Authority Codes

Sections 8336a and 8412a of title 5, United States Code, provide that with the concurrence of the head of the employing agency, and under regulations promulgated by the Director of OPM, a retirement-eligible employee may elect to enter phased retirement status. In addition, the provisions stipulate that under such procedures as the Director of OPM may prescribe, a phased retiree may elect to enter full retirement status at any time. The provisions also provide that under such procedures and conditions as the Director of OPM may establish, and with the concurrence of the head of the employing agency, a phased retiree may elect to terminate phased retirement status and return to a full-time work schedule.

- In addition to processing personnel actions showing employees entering phased employment/phased retirement status, Human Resources (HR) offices may need to process personnel actions showing these employees fully retiring or opting out of phased retirement.
- Payroll offices will need to certify and send an Individual Retirement Record (IRR) to OPM documenting the employee's service and retirement deductions with the agency up until the effective date of the phased retirement election, while creating a new IRR to document the employee's service and retirement deductions on and after the effective date of the phased retirement election. Payroll offices will also have to ensure they withhold the appropriate health and life insurance premiums from the pay of a phased retiree. While the phased retiree works part-time and receives a portion of his or her annuity benefit, the payroll office must withhold the Federal Employee Health Benefit (FEHB) premium and the Federal Employee Group Life Insurance (FEGLI) premium as though the employee were working full-time.

- Payroll offices will need to update their Data Exchange Gateway (DEG) files to reflect two new Annuity Case Type codes.

OPM has expanded the data elements that will be used to document participation in phased retirement. To assist agencies in their planning efforts to prepare their HR and payroll processing systems we are providing a preview of the reporting elements and other process information that will be needed to document phased retirement actions.

OPM will update the “Guide to Processing Personnel Actions (GPPA);” “ Guide to Data Standards” (PDF version); WEB Data Standards Page; “Guide to Retirement Data Reporting (GRDR)” and the “Guide to Human Resource Reporting (GHRR)” now that the final rule has been published.

Data Elements Affected by Phased Retirement Actions

New values for the following data elements have been created to document personnel actions related to phased retirement:

- Nature of Actions (NOAs)
- Nature of Action Codes
- Legal Authority Codes
- Work Schedule
- Annuitant Indicator
- Remarks

Nature of Actions, Nature of Action Codes, and Authority Codes

The following descriptions and values have been created to document personnel actions associated with phased retirement.

- NOAC 615 - Phased Employment/Phased Retirement;
Legal Authorities
 - CSRS: SAB/5 USC 8336a(c)(7)
 - FERS: SAC/5 USC 8412a(b)(6)
- NOAC 616 - Opt out Phased Employment/Retirement;
Legal Authorities
 - CSRS: SAD/5 USC 8336a(g)
 - FERS: SAE/5 USC 8412a(g)
- NOAC 307- Full Retirement Status-Voluntary;
Legal Authorities
 - CSRS: SAF/5 USC 8336a(e)
 - FERS: SAG/5 USC 8412a(e)
- NOAC 308 - Full Retirement Status-ILIS;
Legal Authorities
 - CSRS: SAF/5 USC 8336a(e)
 - FERS: SAG/8412a(e)

Work Schedule

A new value for *Work Schedule* has been established to differentiate an employee working part-time as a phased retiree from other employees working regular part-time schedules. We anticipate that agency payroll offices will use this code to identify those employees who are working a part-time schedule as phased retirees, and to generate the appropriate FEHB and FEGLI premiums as applicable. For FEHB and FEGLI premium purposes, phased retirees are considered full-time employees.

- R – A schedule required when an employee has elected phased employment/phased retirement status and has a less than full-time schedule with a working percentage of 50% on a pre-arranged tour of duty while receiving a phased retirement annuity.

Annuitant Indicator

New values for the annuitant indicator data element have been developed to help identify those employees who have opted out of phased retirement status. An employee who elects phased retirement may change his or her mind and opt out of phased retirement status at a later date. An employee who opts out of phased retirement status may never again elect phased retirement.

- W – Former CSRS Phased Retiree
- M – Former FERS Phased Retiree
- N – Former FERS Phased Retiree who is also a retired uniform service officer
- X – Former CSRS Phased Retiree who is also a retired uniform service officer
- P – Former FERS Phased Retiree who is also a retired uniform service enlisted
- Y – Former CSRS Phased Retiree who is also a retired uniform service enlisted

Remarks Codes

The following remarks codes and the corresponding remarks have been developed to provide information related to the phased retirement personnel actions that will be recorded on the Standard Form (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.
- 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.
- M18 – Employee is entitled to a composite retirement annuity.
- M19 – Certify full time salary for FEGLI.

Data Exchange Gateway (DEG) File

Under the DEG Program, payroll providers electronically transmit a certain set of data on a retiring employee to the Retirement Program upon closeout of the payroll record. This data is used by the Retirement Program to load OPM’s financial system with financial data as well as OPM’s annuity roll systems with retirement-related data. By processing the DEG data, OPM’s automatic front end system establishes the retiree’s claim, generates the annuitant identification card, transfers the health insurance enrollment administration to the Retirement Program, and authorizes interim annuity payments for entitled claimants.

Two new values have been established for *Position 210: Annuity Case Type*

- 0 (zero) = PHASED INITIAL
- 9 = PHASED FINAL

When an employee enters phased retirement status, payroll providers will need to submit to OPM the basic records needed for computing a phased retirement annuity. In addition to providing DEG data, payroll offices will need to certify and send an IRR to OPM documenting the employee’s service and retirement deductions with the agency up until the effective date of the phased retirement election. They will also need to create a new IRR to document the employee’s service and retirement deductions for the period of service the employee performs with the agency from the effective date of the phased retirement election until the date of final separation from the agency.

Inquiries

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Sincerely,

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