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2022 DoD VIRTUAL BENEFITS & WORK-LIFE SYMPOSIUM



Retirement Coverage Determination

Darren Rechel | September 28, 2022

Objectives

- **Gain understanding of the history of the retirement systems, that governs the determination of an employee's retirement system coverage**
- **Overview & Coverage Determination**
- **Determine the correct FERS retirement coverage of an employee**



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References

Title 5, United States Code (U.S.C.), Sections

- 2105
- 8331
- 8332
- 8348
- 8402
- 8411

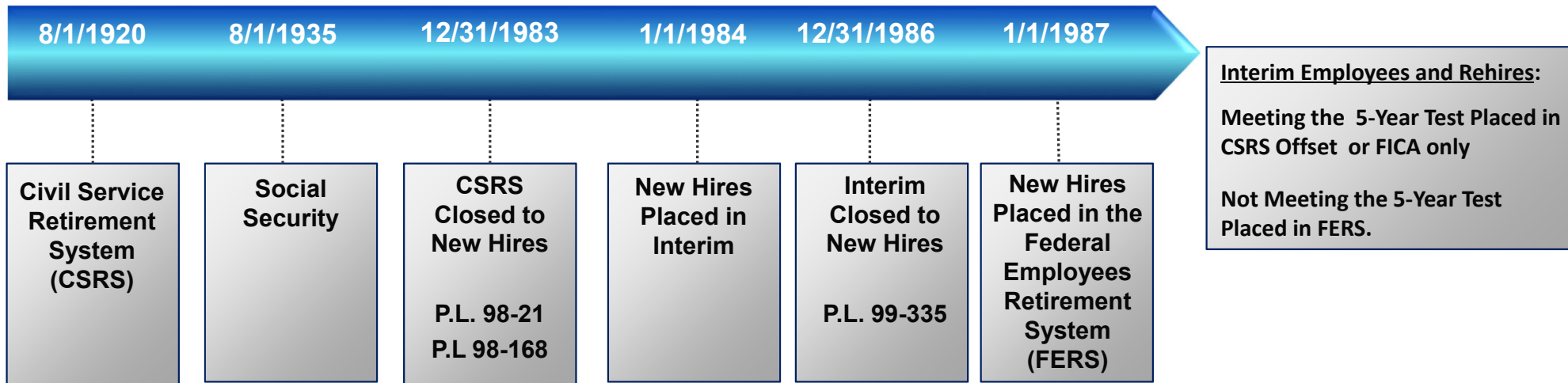
Title 5, Code of Federal Regulations (C.F.R.), Parts

- 831
- 839
- 846
- 1605
- 1606

CSRS & FERS Handbook for Payroll and Personnel Offices, Chapters

- 10-12
- 20
- 22

OPM BAL's, GPPA,
& DOD Policy



The Evolution of Civil Service Retirement

Determine the Correct Retirement System

CSRS

CSRS Interim &
Offset

FERS

FICA

FERS-
RAE/FRAE



Retirement Coverage Errors

Costly to Agency and Employee

Enactment of FERCCA

Overview and Determinations



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Questions to Consider

Who is covered by:

➤ CSRS

➤ CSRS Interim?

➤ CSRS Offset?

➤ FERS-Regular?

➤ FERS-RAE?

➤ FERS-FRAE

➤ FICA?

➤ Exclusion Appointments?

FERS Coverage Determination

Public Law 99-335 established the Federal Employees Retirement System (FERS) which became effective January 1, 1987:

- Employees who are first hired after December 31, 1983, are covered by FERS unless they are serving under temporary limited appointments NTE 1 year or appointments with intermittent tours of duty

Public Law 112-96, Section 5001 of the "Middle Class Tax Relief and Job Creation Act of 2012, made significant changes to the Federal Employees Retirement System (FERS):

- Employees hired after December 31, 2012 who are not excluded from FERS coverage become subject to **FERS-Revised Annuity Employee (RAE)** and will have to pay 3.1% of their salary as employee contributions for the FERS basic benefit

Section 401 of the "Bipartisan Budget Act of 2013, signed into law by the President on December 26, 2013, created another class of FERS coverage, FERS-Further Revised Annuity Employee (FERS-FRAE):

- Employees hired after December 31, 2013, who are not excluded from FERS coverage become subject to **FERS-Further Revised Annuity Employee (FRAE)** coverage and must pay even higher employee contributions of 4.4% for the FERS basic benefit than FERS-RAE employees

FERS Coverage Determination (FERS-RAE)

- Employees hired after **December 31, 2012** who are not excluded from FERS coverage become subject to **FERS-Revised Annuity Employee (RAE)** however, employees **will be excluded** from **FERS-RAE** coverage if any of these exceptions apply:
 - **Exception 1:** the individual on **December 31, 2012**, was covered under FERS;
 - **Exception 2:** the individual on **December 31, 2012**, was performing civilian service which is creditable or potentially creditable service under FERS (for example the employee may have been covered under another retirement system from which service credit may be transferred to FERS, such as CSRS, CSRS-Offset, Foreign Service, Federal Reserve, or CIARDS)
 - **Exception 3:** the individual on **December 31, 2012**, was not covered under FERS and was not performing civilian service which is creditable or potentially creditable service under FERS, but as of **December 31, 2012** had performed at least **five years** of civilian service creditable or potentially creditable under FERS, including service subject to CSRS or CSRS-Offset
- In general, employees who meet the requirements to retain original **FERS coverage** based on their status as of **December 31, 2012**, will continue to be subject to the original **FERS coverage**

NOTE: Military service for which a deposit has been paid is not considered creditable for determining the **five years** of service for exemption from **FERS-RAE** or **FERS-FRAE**.

FERS Coverage Determination (FERS-FRAE)

- Employees hired after **December 31, 2013**, who are not excluded from FERS coverage become subject to **FERS-Further Revised Annuity Employee (FRAE)** unless they meet specific service requirements as of **December 31, 2012**, that would allow them to be subject to the original FERS or if they meet specific service requirements as **December 31, 2013**, that would allow them to be subject to FERS-RAE; however, employees **will be excluded** from **FERS-FRAE** coverage and **subject to FERS coverage** if any of these exceptions apply:
 - **Exception 1:** the individual on December 31, 2012, was covered under FERS;
 - **Exception 2:** the individual on **December 31, 2012**, was performing civilian service which is creditable or potentially creditable service under FERS (for example the employee may have been covered under another retirement system from which service credit may be transferred to FERS, such as CSRS, CSRS-Offset, Foreign Service, Federal Reserve, or CIARDS)
 - **Exception 3:** the individual on **December 31, 2012**, was not covered under FERS and was not performing civilian service which is creditable or potentially creditable service under FERS, but as of **December 31, 2012** had performed at least five years of civilian service creditable or potentially creditable under FERS, including service subject to CSRS or CSRS-Offset

FERS Coverage Determination (FERS-FRAE) *cont...*

- Employees hired after **December 31, 2013**, who are not excluded from FERS coverage become subject to **FERS-Further Revised Annuity Employee (FRAE)** unless they meet specific service requirements as of **December 31, 2012**, that would allow them to be subject to the original FERS or if they meet specific service requirements as **December 31, 2013**, that would allow them to be subject to FERS-RAE; however, employees **will be excluded** from **FERS-FRAE** coverage and subject to **FERS-RAE** coverage if any of these exceptions apply:
 - **Exception 1:** the individual on **December 31, 2013**, was covered under FERS-RAE
 - **Exception 2:** the individual on **December 31, 2013**, was performing civilian service which is creditable or potentially creditable service under FERS (for example, the individual may have been performing service under another retirement system from which service credit may be transferred to FERS, such as CSRS, CSRS-Offset, Foreign Service, Federal Reserve, or CIARDS)
 - **Exception 3:** the individual on December 31, 2013, was not covered under FERS and was not performing civilian service which is creditable or potentially creditable service under FERS, but as of **December 31, 2013**, had performed at least five years of civilian service creditable or potentially creditable under FERS, including service subject to CSRS or CSRS-Offset

FERS Coverage Determination (Potentially Creditable Service)

- In making coverage determinations count all creditable civilian service that is **potentially** creditable on the effective date of the personnel action requiring the coverage determination
- The coverage decision remains valid even though the employee may never ever take all the actions needed for the service to become **fully** creditable
 - Certain categories of service become fully creditable only if the employee takes applies to pay for the service by a deadline established in law,
or
 - Waives rights to benefits under another retirement system for Federal employees
 - ❖ For example, service covered by the Foreign Service Pension System (FSPS) is **potentially** (but not **fully**) creditable until an employee has waived his or her rights to benefits under that system and made the necessary deposit to OPM

FERS Coverage Determination (Determination Tables)



New Hire

STEP	DECISION FACTOR	IF YES ...	IF NO ...
1	Does employee have prior non-Federal service that was covered by or creditable under CSRS? (See section 10A1.3-3B)	Go to Step 2	Go to Step 5
2	Does employee meet 5 year test? (See section 10A1.1-2I)	Go to Step 3	Skip to Step 5
3	Is current appointment excluded from CSRS? (See section 10A1.3-3)	Go to Step 4	Coverage under CSRS Offset with option to elect FERS
4	Is current appointment excluded from FERS? (See section 10A1.3-5)	Coverage under FICA only (unless not applicable)	Covered by FICA with option to elect FERS
5	Is appointment excluded from FERS by law or regulation? (See section 10A1.3-5)	Coverage under FICA only (unless not applicable)	Go to Step 6
6.	Is appointment effective on or after January 1, 2013	Coverage under FERS-RAE	Coverage under FERS

Transfers & Conversions

STEP	DECISION FACTOR	IF YES ...	IF NO ...
1	Does employee have prior non-Federal service that was covered by or creditable under CSRS? (See section 10A1.3-3B)	Go to Step 2	Go to Step 5
2	Does employee meet 5 year test? (See section 10A1.1-2I)	Go to Step 3	Skip to Step 5
3	Is current appointment excluded from CSRS? (See section 10A1.3-3)	Go to Step 4	Coverage under CSRS Offset with option to elect FERS
4	Is current appointment excluded from FERS? (See section 10A1.3-5)	Coverage under FICA only (unless not applicable)	Covered by FICA with option to elect FERS
5	Is appointment excluded from FERS by law or regulation? (See section 10A1.3-5)	Coverage under FICA only (unless not applicable)	Go to Step 6
6.	Is appointment effective on or after January 1, 2013	Coverage under FERS-RAE	Coverage under FERS

Rehires

STEP	DECISION FACTOR	IF YES ...	IF NO ...
1	Does employee have prior non-Federal service that was covered by or creditable under CSRS? (See section 10A1.3-3B)	Go to Step 2	Go to Step 5
2	Does employee meet 5 year test? (See section 10A1.1-2I)	Go to Step 3	Skip to Step 5
3	Is current appointment excluded from CSRS? (See section 10A1.3-3)	Go to Step 4	Coverage under CSRS Offset with option to elect FERS
4	Is current appointment excluded from FERS? (See section 10A1.3-5)	Coverage under FICA only (unless not applicable)	Covered by FICA with option to elect FERS
5	Is appointment excluded from FERS by law or regulation? (See section 10A1.3-5)	Coverage under FICA only (unless not applicable)	Go to Step 6
6.	Is appointment effective on or after January 1, 2013	Coverage under FERS-RAE	Coverage under FERS

Determination Tables (New Hire: Exercise #1)

Instructions: Use the New Hire Determination Table to complete this exercise

Is Employee Charlie covered under FERS, FERS-RAE or FERS-FRAE?

Description:

Employee Charlie was hired into an appointment that conveys coverage and has no previous service.

Checklist History:

Type Action	Appointment	Coverage	Effective Dates	Follows a Break in Service?	Eligible to Elect FERS?
First Hire	Career Conditional	?	2/1/2013 -----	N/A	N/A

Determination Tables (New Hire)

Type Action	Appointment	Coverage	Effective Dates	Follows a Break in Service?	Eligible to Elect FERS?
First Hire	Career Conditional	?	2/1/2013 -----	N/A	N/A

Step	Decision Factor	If Yes...	If No...
1	Does employee have prior non-Federal service that was covered by or creditable under CSRS? (See section 10A1.3-3B)	Go to Step 2	Go to Step 5
2	Does employee meet 5 year test? (See section 10A1.1- 2I)	Go to Step 3	Skip to Step 5
3	Is current appointment excluded from CSRS? (See section 10A1.3-3)	Go to Step 4	Coverage under CSRS Offset with option to elect FERS
4	Is current appointment excluded from FERS? (See section 10A1.3-5)	Coverage under FICA only (unless not applicable)	Covered by FICA with option to elect FERS
5	Is appointment excluded from FERS by law or regulation? (See section 10A1.3-5)	Coverage under FICA only (unless not applicable)	Go to Step 6
6	Is appointment effective before January 1, 2013?	Coverage Under FERS	Go to Step 7

Retirement Coverage Determination Tables

New Hires: Presumes no prior Federal service under FERS or any other retirement system

Determination Tables (New Hire)

Type Action	Appointment	Coverage	Effective Dates	Follows a Break in Service?	Eligible to Elect FERS?
First Hire	Career Conditional	?	2/1/2013 -----	N/A	N/A

Step	Decision Factor	If Yes...	If No...
7	Was employee on December 31, 2012, performing civilian service that was creditable or potentially creditable under FERS (e.g. Peace Corp volunteer service or service covered under another retirement system for which credit may be transferred to FERS, such as Foreign Service, Federal Reserve, or CIARDS?)	Coverage Under FERS	Go to Step 8
8	Does employee as of December 31, 2012, have at least 5-years of creditable or potentially creditable service under FERS?	Coverage under FERS	Go To Step 9
9	Is appointment effective on or after January 1, 2013, and before January 1, 2014?	Coverage under FERS-RAE	Go to Step 10
10	Was employee on December 31, 2013, performing civilian service that was creditable or potentially creditable under FERS (e.g. Peace Corp volunteer service or service covered under another retirement system for which credit may be transferred to FERS, such as Foreign Service, Federal Reserve, or CIARDS?)	Coverage under FERS-RAE	Go to Step 11
11	Does employee as of December 31, 2013, have at least 5-years of creditable or potentially creditable service under FERS?	Coverage under FERS-RAE	Coverage under FERS-FRAE

Retirement Coverage Determination Tables

New Hires: Presumes no prior Federal service under FERS or any other retirement system

Determination Tables (New Hire: Exercise #1 Answer)

Employee Charlie is covered under FERS-RAE

On December 31, 2012, the employee did not meet the requirements that would permit coverage under original FERS. Employee Charlie was not covered under FERS on December 31, 2012, nor did Employee Charlie have at least 5 years of creditable or potentially creditable civilian service as of December 31, 2012. Employee Charlie's appointment was effective on or after January 1, 2013 and before January 1, 2014.

Determination Tables (Transfer/Conversion: Exercise #2)

Instructions: Use the Transfer/Conversion Determination Table to complete this exercise

Is Employee Bravo covered under FERS, FERS-RAE or FERS-FRAE?

Description:

Employee Bravo changed agencies from an appointment that did not confer coverage to one that does (that is, temporary to career-conditional), with less than 5 years of creditable service.

Checklist History:

Type Action	Appointment	Coverage	Effective Dates	Follows a Break in Service?	Eligible to Elect FERS?
First Hire	Temporary	FICA	3/1/1991 – 2/29/1992	N/A	N/A
Transfer	Career Conditional	?	3/1/1992 –	N/A	?

Determination Tables (Transfer/Conversion: Exercise #2 Answer)

Employee Bravo is covered under FERS

Employee Bravo is automatically covered under FERS.

Determination Tables (Rehire: Exercise #3)

Instructions: Use the Rehire Determination Table to complete this exercise

Is Employee Alpha covered under FERS, FERS-RAE or FERS-FRAE?

Description:

Employee Alpha receives a FERS covered appointment effective January 2, 2014. Employee had one previous period of civilian service with the Federal Government covered under FERS from September 14, 2009 to December 29, 2012.

Checklist History:

Type Action	Appointment	Coverage	Effective Dates	Follows a Break in Service?	Eligible to Elect FERS?
First Hire	Career Conditional	FERS	9/14/2009 – 12/29/2012	Yes	N/A
Rehire	Career	?	1/2/2014 –	N/A	N/A

Determination Tables (Rehire: Exercise #3)

Employee Alpha is covered under FERS-FRAE

On December 31, 2012, the employee did not meet the requirements that would permit coverage under original FERS. Employee Alpha was not covered under FERS on December 31, 2012, nor did Employee Alpha have at least 5 years of creditable or potentially creditable civilian service as of December 31, 2012. Likewise, as of December 31, 2013, Employee Alpha did not meet the requirement that would permit coverage under FERS-RAE. The employee was not covered under FERS-RAE and was not performing civilian service that was creditable under FERS on December 31, 2013, nor did the employee have at least 5 years of creditable civilian service as of December 31, 2013.

Group Exercise & Questions





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Retirement Eligibility

Jin-Sook Lim | September 28, 2022

Objectives



- **Provide a CSRS/FERS Retirement overview**
- **Explain the various types of CSRS/FERS Retirements**
- **Identify the age and service requirements for CSRS/FERS**
- **Discuss Disability Retirement**
- **Discuss Voluntary Early Retirement Authority (VERA)**
- **Discuss Voluntary Separation Incentive Payment (VSIP)**
- **Introduce Phased Retirement**

Must be covered by a retirement system

Must meet the age and service requirements

For CSRS, must meet 1 out of 2 requirement

5 years creditable civilian service (exception FERS disability)

Retirement Eligibility Overview



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<u>Minimum Age</u>		<u>Minimum Service</u>
<u>CSRS</u>	<u>FERS</u>	
55	MRA*	30
60	60	20
62	62	5
----	MRA +	10

Minimum Retirement Age (MRA)

***FERS Annuity Supplement until age 62**

Retirement Eligibility Overview



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MRA +10

- Annuity is payable upon separation
- Health and Life Insurance are suspended until annuity commences
- Voluntary retirement available to FERS employees only
- Age reduction of 5% per year under age 62 (permanent reduction)
- Reduces or eliminates age reduction

Postponed Retirement



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Firefighters/Law Enforcement Officers (FF/LEO)

- Age 50 with 20 years of FF/LEO service
- Any age with 25 years of FF/LEO service (FERS Only)*

Air Traffic Controllers (ATC)

- Age 50 with 20 years of ATC service
- Any age with 25 years of ATC service

*Applicable to FERS Only

Special Provision Retirement



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<u>Minimum Age</u>		<u>Minimum Service</u>
<u>CSRS</u>	<u>FERS</u>	
62	62	5
---	60	20
---	MRA	10

If an employee separates from the federal government before meeting age and service requirements for an immediate retirement, and *does not take a refund* of their retirement contributions, they can apply for a deferred retirement when they meet eligibility



Deferred Retirement

Deferred vs. Postponed

**Do not confuse
Deferred and
Postponed
retirement!**

Deferred

- *MUST* have 5 years of service at separation
- NO FEHB or FEGLI

Postponed

- *MUST* meet age (MRA) and service requirements (10 years) at separation
- Annuity is delayed or postponed
- FEHB and FEGLI reinstated when annuity commences

Discontinued Service Retirement (DSR)

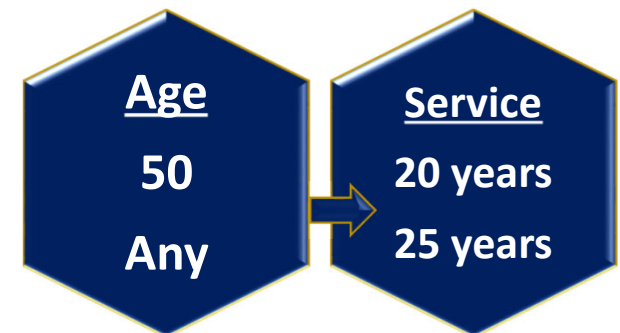
REDUCTION-IN-FORCE



ABOLISHMENT OF POSITION



DIRECTED REASSIGNMENT



Discontinued Service Retirement (DSR)

*A discontinued service retirement provides an immediate (possibly reduced - CSRS or CSRS component) annuity for employees who receive a specific notice of involuntary separation

**To be eligible, the employee must be age 50 w/20 years or any age w/25 years of service*

CSRS - in a position covered by CSRS for at least 1 year out of the 2 years immediately before retirement

FERS - no requirement for 1 out of 2; at least 5 years of service must be civilian service to retire under either system

Additional Requirements:

- Specific notice
- Cannot decline a reasonable job offer

Retirement System	Age	Minimum Service
CSRS	Any Age	5 years
FERS	Any Age	18 months

- Employee must be disabled for useful and efficient service in the current position and any other vacant position, for which the employee qualifies, at the same grade or pay level within the commuting area at their current agency
- The employee's disability should be expected to last for more than one year

Disability Retirement

Current Employees

- **Employing Agency/payroll office will process application**
- **Forwards to OPM, Retirement Operations Center (ROC)**
- **ROC establishes case file**

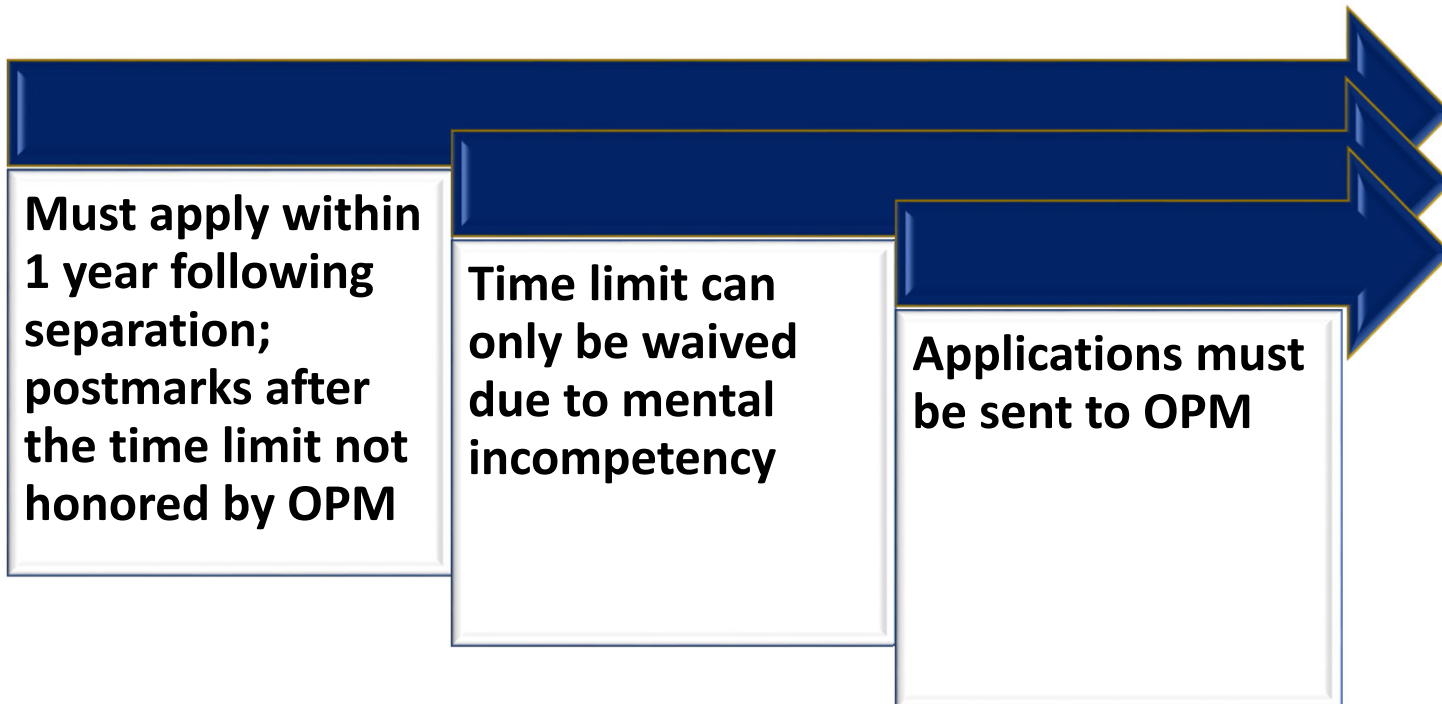
Disability Retirement



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Separated Employees



Disability Retirement Application

- The medical documentation must provide enough information to allow the OPM Disability Specialists to determine that the medical condition meets the eligibility requirements as they pertain to the medical condition
- Cases may be reviewed by the activity's medical clinic physician to make a preliminary determination before sending the application package to OPM for final approval

Medical Documentation



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Current Employee

- Employing Agency/payroll office will process application
- Forwards to OPM, Retirement Operations Center (ROC)
- ROC establishes case file

OPM Review



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- Employee can appeal in writing within 30 days after the initial decision
- OPMs disapproval notice will provide procedures required to initiate the appeal process
- Employee and Employing Agency will be notified by OPM of the decision

If OPMs final decision is to disapprove employee's application; the employee may appeal to the Merit Systems Protection Board (MSPB) within 35 days from OPMs reconsideration disapproval notice

Notice of Disapproval



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- Employing Agency should file a copy of the approval on the right side of the OPF
- Contact employee to ensure receipt of OPMs approval notice
- Employee cannot continue to work upon approval notice
- Separation date must be established; consider amount of annual leave, voluntary leave transfer donations, and sick leave

Notice of Approval



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Periodic Medical Review

OPM may request current medical information up to age 60

OPM may suspend annuity payments until receipt requested of medical information

Restoration to Earning Capacity

Disability annuitants under age 60 must report earning annual income to OPM

OPM sends survey form called Annuitant's Report of income every February

Disability Retirement Responsibilities



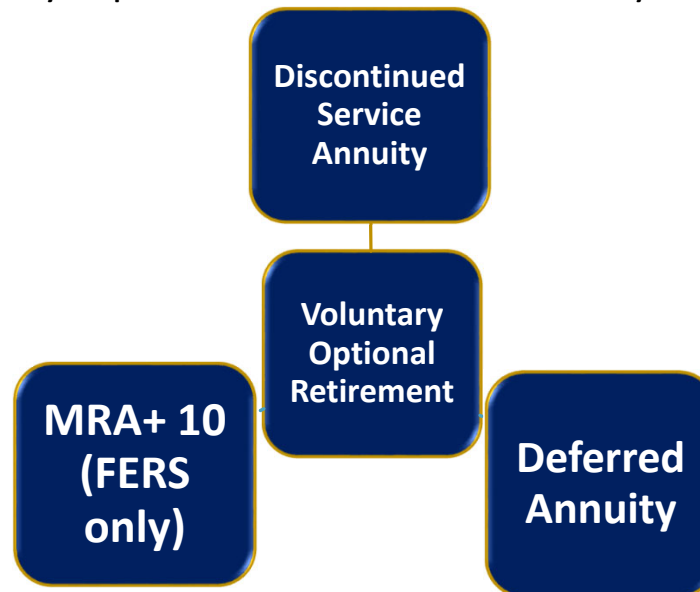
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Annuity Options

Restoration or Recovery:

If individual is not reemployed in a position subject to CSRS/FERS; the individual is deemed involuntarily separated as of date the annuity terminates:



Election Between Disability Retirement

OPM & Office of Worker's Compensation (OWCP)

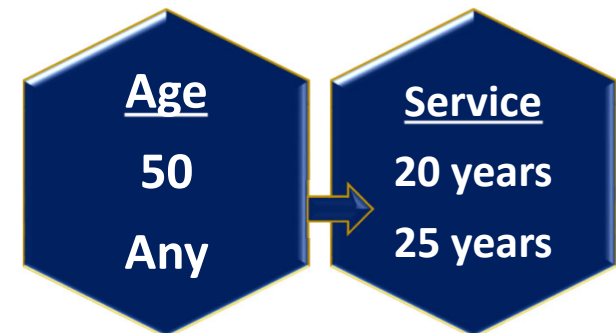
- Employee may be eligible for both a CSRS or FERS disability annuity & worker's compensation benefits
- *It's critical that the employee simultaneously applies for both
 - If employee elects OWCP benefits, the disability annuity is suspended during receipt of OWCP benefits

Voluntary Early Retirement Authority (VERA)

The purpose is to assist an agency in completing a major personnel or workload change with minimal disruption

Additional Requirements

- Serve in a position covered by the VERA
- Separate during the early out period



Voluntary Separation Incentive Program (VSIP)

**VSIPs are often provided as incentive when a reduction
Occurs with involuntary separations**

- Maximum authority for VSIP before taxes is \$40,000
From December 23, 2017 to September 30, 2021
- Must pay back within 5 years if reemployed by the Federal Government

**Specific guidance can be found in Public Law 115-91, Section 1103, updated 12 Dec
2017;*

In NDAA 2018, 131 Stat 1629

Phased Retirement

The main purpose of phased retirement is to enhance mentoring and training of the employees who will be filling the positions of more experienced employees who are preparing for full retirement

Phased Retirement Eligibility

- ▶ Requires mutual consent of both the employee and the employing agency
- ▶ Must have been employed on a full-time basis for the preceding 3 years
 - CSRS: must be eligible for immediate retirement w/30 years of service at age 55 or w/20 years of service at age 60
 - FERS: must be eligible for immediate retirement with 30 years of service at MRA (Age 55-57) depending on year of birth or 20 years of service at age 60

Applying for Retirement

The employee's employing office and payroll office and OPM are responsible for processing the retirement application



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Summary

Validate Eligibility

- Verify that age and service requirements are met
- Verify agency specific notices and timeframes for
Discontinued Service Retirements

Group Exercise & Questions

