

Sick Leave Credit for All

By Tammy Flanagan, National Institute of Transition Planning <<http://www.nitpinc.com/>>

It's been more than four months since President Obama signed a bill granting credit for unused sick leave toward the basic retirement benefit for those under the Federal Employees Retirement System. Yet many of the employees who attend my seminars are not aware of the change. So I think it's a good time to explain how the credit works and what value it will add to the FERS retirement benefit.

Throughout a 20-year career, a federal employee who has worked in government can accumulate about a year's worth of sick leave (104 hours per year for 20 years would be 2080 hours of leave). Since there is no limit to how much of this leave an employee can carry over from year to year, it provides an invaluable resource in the event of illness or injury. It even can be used to care for a family member. It's very important for employees to conserve a comfortable balance of sick leave to cover unexpected situations.

But what happens to those hours of leave when an employee departs? The answer depends on several factors.

The sick leave balance evaporates when an employee resigns, unless the worker returns to federal service and has his or her balance of sick leave hours restored. Sick leave cannot be credited to a deferred annuity for employees who leave before they are eligible for an immediate retirement benefit.

But retirement is a different story. Employees under the Civil Service Retirement System have received credit for their unused sick leave in the computation of their retirement benefit for the past several decades. And under the new law, FERS employees get credit for 50 percent of their sick leave if they retire before Jan. 1, 2014. After that they get credit for all their sick leave. The unused leave cannot be used to meet retirement eligibility requirements, but it does add some extra cash to your monthly retirement benefit.

Formulas

Let's look at how the sick leave credit might be implemented. Under CSRS, for each month of additional service credit, an employee's retirement benefit increases according to the following formula:

$1/12 \times 2\% \times \text{high-three average salary}$

For example, if an employee's high-three was \$65,000 and he had 10 months of sick leave, the credit for the unused leave would be as follows:

$10/12 \times 2\% \times \$65,000 = \$1,082.90/\text{year}, \text{ or } \$90.24/\text{month}$

For FERS employees, each month of additional service is credited according to the following formula:

$1/12 \times 1\% \times \text{high-three average salary}$

Or, if the employee retires at 62 or later with 20 years of creditable service:

$1/12 \times 1.1\% \times \text{high-three average salary}$

So, using the same example as above, if the employee's high-three was \$65,000 and he had 10 months of sick leave, his credit would be figured as follows:

$10/12 \times 1\% \times \$65,000 = \$541.45/\text{year}$, or \$45.12/month.

If the benefit was computed using the 1.1% factor, then the credit would be \$595.59 per year, or \$49.63 a month.

Employees who transferred to FERS from CSRS and have a CSRS component to their retirement will have the following rules applied to crediting their unused sick leave: If they have fewer hours of sick leave at the time of retirement than they had at the time they transferred to FERS, their sick leave will be credited toward their CSRS component. Otherwise, their sick leave credit will be split between CSRS and FERS credit.

Tammy Flanagan is the senior benefits director for the National Institute of Transition Planning Inc. <<http://www.nitpinc.com/>> , which conducts federal retirement planning workshops and seminars. She has spent 25 years helping federal employees take charge of their retirement by understanding their benefits.

For more retirement planning help, tune in to "For Your Benefit," presented by the National Institute of Transition Planning Inc. live on Monday mornings at 10 a.m. ET on federalnewsradio.com <<http://www.federalnewsradio.com/>> or on WFED AM 1500 in the Washington metro area.