

The Magic Date

By Tammy Flanagan *National Institute of Transition Planning* April 23, 2010

Through the years I've been able to explore some complicated subjects to help employees understand the complex federal retirement benefits system. The one topic I cover year after year that continues to draw high levels of interest is how to pick the best date to retire.

Later this year, I'll publish the calendar for 2011. In the meantime, I thought I'd start this year's coverage of what longtime federal pay and benefits columnist Mike Causey has dubbed the "magic date" by answering some questions that came up the last time I tackled the subject.

You said the best day for a Civil Service Retirement System employee to retire in 2010 was Dec. 31. I was shown a retirement pamphlet another employee received with his paperwork. It said the best day for a CSRS employee to retire was on the first couple of days of the month rather than at the end of the month, because your retirement would start right away if you retire on the first couple of days of a new month. Otherwise, you would lose a month of pay. Can you explain this?

It isn't true that you will lose a month of pay if you retire at the end of a month. It is true that under CSRS, the first few days of a month can be a good time to retire because employees are granted a three-day grace period at the beginning of every month, during which their annuity will kick in the following day. But an employee who retires on the last day of the month also will become an annuitant the following day and be entitled to their retirement benefit for that month. (Those under the Federal Employees Retirement System should not retire on the first three days of the month, because there's no grace period. All optional FERS retirements begin the first day of the month following the retirement date.)

Let's look at an example:

Suppose Georgia, a CSRS employee, turns 55 on Sept. 21, 2010. She will have more than 30 years of service and will become eligible to retire on her birthday. Here are a few options for her:

- **Sept. 21:** If Georgia retires on her birthday, her salary will be paid through that day and her first retirement check will be paid for the month of October. (It actually will be dated Nov. 1, since retirement benefits are paid after they are accrued). But she would receive no compensation for Sept. 22-30. So this isn't her best date.
- **Sept. 30:** If Georgia retires on this date, she will become an annuitant on Oct. 1. She'll be entitled to a full retirement benefit for the month of October on Nov. 1, and her final salary will be paid through Sept. 30. So this would be a better date than Sept. 21.
- **Oct. 1:** Although this isn't the end of a leave period, it is the end of a week, so Georgia would be paid her salary through this day and would become an annuitant on Saturday, Oct. 2. Her first retirement benefit would be for 29/30 of the October payment, paid on Nov. 1.
- **Oct. 3:** This is a Sunday, but is still within the first three days of October. And depending on Georgia's total length of service, the extra couple of days could make a difference. Suppose Georgia finds that her service on Oct. 1 totals 37 years, 9 months and 28 days. The 28 days will not be used in the computation of her CSRS benefit since it is less than a full month (defined as 30 days). By choosing to retire on Oct. 3, she would add two more days of service and another month to her retirement computation. There would be no additional salary in her last paycheck, but her retirement benefit would permanently increase by 1/12 of 2 percent of her high-three average salary.

- **Dec. 31:** If Georgia has been saving up her 2010 annual leave and wishes to maximize her lump-sum payment for accumulated and accrued annual leave, she might decide to wait until the end of the year to retire. This would allow her to accumulate seven more accruals before the end of the 2010 leave year. Also, she would receive the payment for the unused leave in 2011, which might be more beneficial for tax purposes. And if there is a basic pay adjustment for civilian federal employees on Jan. 2, 2011, then her lump-sum payment would include the salary increase.

The following chart shows the date your CSRS or FERS benefits will start if you're leaving under optional, immediate retirement. "Optional" means you're eligible to retire when you leave federal service and "immediate" means your retirement will begin the month after you go. Consult with your agency's retirement benefits specialist if you are retiring under discontinued service, disability, postponed or deferred retirement, since the annuity beginning date is determined differently for these types of retirement.

Date You Leave	Date Retirement Will Start
1st, 2nd or 3rd day of any month	CSRS: Following day FERS: First day of the following month
4th through the last day of the month	CSRS and FERS: First day of the following month

I will be 64 in 2011 and am considering retiring in July 2011. On March 10, 2011, I will have 36 years with the Veterans Affairs Department. I am under CSRS and have considerable sick leave and annual leave accrued. What would be an ideal date for me to retire?

Start by looking at the calendar for next year. Check out the end of each month. Do any of the months end at the end of a leave period, so you can get one last accrual of annual leave and sick leave? Then think about what else you're trying to accomplish. Do you want to maximize your Thrift Savings Plan contributions and take advantage of flexible spending account benefits before you retire? If so, be sure to allow yourself enough time to make the full 2011 contribution to your TSP and plan foreseeable medical expenses such as dental appointments and eye exams before your retirement date. If, on the other hand, you're looking for a big lump-sum annual leave payment, look at Dec. 31, 2011. The new leave year begins on Jan. 1, 2012.

Of course, you might have other unrelated issues to consider, too. I helped a mail carrier pick his retirement date last year, and one of his concerns was making sure he was gone before holiday catalogs started to show up in his mail sack.

I would like to retire Nov. 30, 2012. I will be 56 years old with 33 years and two months of service. I will retire under FERS with part of my service being computed under CSRS. Should I wait until the end of the year?

There's nothing wrong with choosing the end of the month as your retirement date. One benefit to Nov. 30 for you is if you're in a high salary bracket, then you might have maxed out the FICA tax and would not have to pay the 6.2 percent tax on your lump-sum leave payment if it is paid in 2011.

The benefits to waiting for the end of the year would include:

- Accruing additional leave before the use-or-lose deadline.
- Getting paid for your annual leave in 2012 at the 2012 pay rate.
- Getting Dec. 25 as a paid holiday.

I am a CSRS employee with more than 30 years of service. I would like to know what would be the best day to retire in 2012. I want to take advantage of lump-sum annual leave.

The decision will depend on the end of the leave year, since that will be the last day to retire and be paid for all your accumulated and accrued annual leave. On the first day of the new leave year, most employees are limited to an annual leave carryover of 240 hours. The beginning and ending dates of leave years 2010 through 2020 shown below apply to most employees. (Some agency payroll systems use a different pay period schedule.)

Leave Year	Beginning Date	Ending Date
2010	Jan. 03, 2010	Jan. 01, 2011
2011	Jan. 02, 2011	Dec. 31, 2011
2012	Jan. 01, 2012	Jan. 12, 2013
2013	Jan. 13, 2013	Jan. 11, 2014
2014	Jan. 12, 2014	Jan. 10, 2015
2015	Jan. 11, 2015	Jan. 09, 2016
2016	Jan. 10, 2016	Jan. 07, 2017
2017	Jan. 08, 2017	Jan. 06, 2018
2018	Jan. 07, 2018	Jan. 05, 2019
2019	Jan. 06, 2019	Jan. 04, 2020
2020	Jan. 05, 2020	Jan. 02, 2021

The 2012 leave year ends on Jan. 12, 2013, making it a little complicated. If you choose to retire on that date (a Saturday), you would accrue the maximum annual leave for the 2012 leave year, but you would forfeit your January retirement payment, because you wouldn't become an annuitant until Feb. 1, with your first retirement check due March 1. So you might want to choose Thursday, Jan. 3, 2013. If you were under FERS, a good date at the end of 2012 would be Dec. 31, 2012, to maximize the lump-sum annual leave payment.

The important thing to remember is all leave years do not end conveniently at the end of the calendar year.

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