

The FEDERAL EDGE

Question of the Week:

As a Special Provision Employee do I need to be aware of any special rules or policies?

Answer:

As a Special Provision Employee there are in fact a few special rules that you should be aware of so that you don't make any major mistakes when it comes to your retirement ...

... Read more below

Topic of the Week: Unique Rules and Policies

For Special Provision Employees



Leaving Federal Service

What many people don't realize is that the requirement to receive the Special Provision Annuity rates is that the employee has to have 20 years of CONSECUTIVE service. They do not have the option to leave federal service or move to a non-Special Provision position and then come back and pick up where they left off. They have to stay within their special service umbrella for an entire 20 year window. If they fail to make the 20 years or if they leave and come back their annuity will be calculated as if it were a regular FERS or CSRS annuity. That is a HUGE decrease in pay for retirement. It basically moves them from an annuity of about 34% of their High-3 to 20% of their High-3. Not only that, but remember Special Provision Employees contribute a much higher percentage of their pay into their retirement system. And all

of those excess contributions would be completely lost if they don't make their required 20 years. They don't get any of it back. You absolutely need to be aware of this so you can make sure your clients are aware of it and don't shoot themselves in the foot by retiring a year or two early or by trying to move in and out of Special Provision Employment.

However, on a happier note, any Special Provision Employee who makes it 20 years automatically locks in their higher annuity rate AND their "early out" option for retirement. That means that once they are forced out due to their age they can then move to a different federal position without fear of losing their Special Provision Annuity and with the nice bonus of being able to retire from that new job whenever they feel like it, thanks to their old Special Provision job. Once they finally

retire, their annuity will be calculated in two parts. Their Special Provision years of service will be credited and calculated under the Special Provision System while any outside years of service will be credited under the normal FERS or CSRS system, i.e., with the lower annuity rate.

Military Credit

Another thing to be aware of is how military time is credited for Special Provision Employees. They have the ability to buy back military time just like regular FERS and CSRS employees. The big difference is that it does not count towards their Special Provision annuity calculations nor does it count towards their required 20 years of service. It would be credited as if it were adding normal years of regular FERS or CSRS service and it would be added to the annuity in the same way as if they went and worked a non-Special Provision job as we discussed above.