



## FACT SHEET

# Retirement at 20 Years: Basics on Legacy Retirement Systems

Last Reviewed: June 5, 2018

## Background

There are many factors for PHS Officers to consider when planning retirement. This fact sheet summarizes basic information on retirement pay for PHS Officers who retire voluntarily after 20 years of creditable service under one of the legacy retirement systems. It is not intended to be a comprehensive guide and does not cover the blended retirement system that went into effect 1/1/2018 and is the subject of a separate Fact Sheet. For more detailed information, please see the list of resources at the end of this fact sheet.

## Eligibility

Voluntary retirement from the USPHS is based on:

- ▶ “Retirement Credit Date” – at least 20 years of [creditable service](#), at least 10 of which in the USPHS
- ▶ Fulfillment of all terms under special pay contract, if applicable

## Highlights

There are 3 legacy pension systems for PHS officers with DIEMS prior to January 1, 2018; their main features are summarized in the table below:

	Final Pay	High 36 (High 3)	Redux‡
<b>DIEMS / DIEUS</b>	Before 9/8/1980	On or after 9/8/1980	After 8/1/1986
<b>Retired pay base</b>	Final month’s active duty base pay*	Average of highest 36 months’ active duty base pay	Average of highest 36 months’ active duty base pay
<b>Multiplier</b>	2.5% x years of creditable service	2.5% x years of creditable service	2.0% x years of creditable service at 20†
<b>Cost of Living Adjustment (COLA)</b>	Set to Consumer Price Index (CPI)	Set to CPI	CPI minus 1% (CPI-1%)
<b>Bonus</b>	No Career Status Bonus (CSB)	CSB offered but not accepted by officer	CSB of \$30,000 accepted by officer at 15 years of service

\*Active duty base pay does not include basic allowances for housing and subsistence or special pays (as indicated on your Earning Statement).

†Same as High 36 with reduction of one percentage point for each year short of 30 years of service. For example, at 20 years under High 36, an officer would be eligible for 50% of base pay at retirement; however, under Redux (retiring 10 years earlier than the 30-year mark), this percentage is decreased by 10%; similarly, at 21 years retirement (9 years less than 30) an officer retiring under High 36 would be eligible for 52.5% while an officer retiring under Redux would be eligible for 43.5% (9% less). Therefore, the multiplier for Redux increases (>2%) every year after 20 years until it reaches 2.5% per year at Year 30.

‡Officers with DIEMS after 8/1/86 but prior to 1/1/2018 will be defaulted to the High 3 system unless they have previously elected the Redux system or opt in to the new blended system.

**Retired pay** = Retired pay base x % Multiplier

- ▶ Retired pay base is determined according to when active duty service began (see table above) – the “Date of Initial Entry into Military Service” (DIEMS) or “Date of Initial Entry into Uniformed Service” (DIEUS)
- ▶ % Multiplier is determined according to the number of years of creditable service + education credits ([per DoD Financial Management Regulation Volume 7B, Chapter 1](#)) and the applicable pension system
  - Medical officers under final pay are eligible for up to 5 years of education credit to be applied toward service multiplier and eligible to exceed 75% final base pay retirement pay.
  - Medical officers under high 3 and Redux are eligible for up to 5 years of education credit to be applied toward service multiplier (max 75% average of high 3 base pay) upon reaching retirement eligibility.
  - If member also has civil service (i.e., prior service credit that was applied on active duty) the civil service time and education credit together cannot exceed 5 years.

- USUHS Graduates and those completing internship while on active duty: up to 4 credit years
- Officers with situation specific questions may refer to the [CCIS](#) or contact [phscseparations2@hhs.gov](mailto:phscseparations2@hhs.gov)

**Example:** an officer under high 3 with 25 years of creditable service will have a base pay retirement multiplier of 75% (25 years active duty x 2.5%)+(5 years education credit X 2.5%); if the same officer had 26-30 years of credible service, there retirement multiplier would still be 75%.

- ▶ Redux is no longer an available option as of 1/1/2018; previously enrolled officers will remain in Redux. Key features include:
  - One-time monthly pay “catch-up” and permanent multiplier increase to High 36 level at age 62; only applies when 20-year voluntary retirement occurs before age 62 under the Redux system
  - **Example:** An officer retires at age 55 (7 years before age 62) with 20 years of creditable service under Redux system (not including education credit) receives 40% multiplier + COLA of CPI-1%
    - Retirement monthly pay at age 62: 40% base pay + Catch-up % + Catch-up COLA
      - “Catch-up %” is an increase in pay multiplier to High 36 level (50% in this case)
      - “Catch-up COLA” increases base pay to the higher COLA levels under High 36 (CPI vs. CPI-1) for the previous 7 years (i.e. at age 62 the monthly pay would be exactly the same had the officer retired under the High 36 system)
    - After age 62:
      - Multiplier is made equal to High 36 rate (50%)
      - COLA reverts back to CPI minus 1% under Redux system (see table above)
- ▶ Officers can cash in unused leave (up to 60 days lifetime) upon separation for one lump sum payment [per [CC29.12](#), the lump sum payment will consist of the officer’s base pay and allowances for subsistence and housing, but pay no Federal Insurance Contributions Act (FICA) tax]. Federal and state taxes will be deducted. Alternatively, officers can request to take terminal leave where the officer remains on active duty until the remainder of the leave has been used (accruing time in service and accumulating leave). Benefits, taxes and service requirements remain the same during terminal leave.
- ▶ Tax/Individual Retirement issues
  - Retirement pay is taxable under federal income taxes, but is not deducted for social security tax [i.e., no FICA (7.65%)]
  - Military retirement pay does not qualify as compensation for purposes of making tax-deductible contributions to an IRA [26 U.S.C 219(f)(1)]
  - No income tax in some states (AK, FL, NV, NH, SD, TN, TX, WA, WY)
  - Military (but not necessarily USPHS) retirement pay exempt from tax in some states (AL, HI, IL, KS, LA, MA, MI, MS, NJ, NY, OH, PA, WI) – need to check with specific states

## Resources

- ▶ [https://dcp.psc.gov/ccmis/ccis/documents/CCD124\\_01.pdf](https://dcp.psc.gov/ccmis/ccis/documents/CCD124_01.pdf) - 24 Feb 2106 Commissioned Corps Directive with basic information about retirement eligibility
- ▶ [https://dcp.psc.gov/ccmis/ccis/documents/CCI384\\_02.pdf](https://dcp.psc.gov/ccmis/ccis/documents/CCI384_02.pdf) -3 July 2013 Commissioned Corps Instruction on Voluntary Retirement
- ▶ <http://militarypay.defense.gov/Pay/Retirement/> - DoD comparison table of the legacy retirement systems
- ▶ <http://militarypay.defense.gov/Calculators/> - DoD calculators for various retirement systems
- ▶ [https://dcp.psc.gov/ccmis/separations/ASSIGNMENTS\\_seminar\\_m.aspx](https://dcp.psc.gov/ccmis/separations/ASSIGNMENTS_seminar_m.aspx) - Instructions for new online retirement seminar through the Commissioned Corps Learning Management System
- ▶ [https://dcp.psc.gov/ccbulletin/articles/Retirement\\_FAQ\\_05\\_2013.aspx](https://dcp.psc.gov/ccbulletin/articles/Retirement_FAQ_05_2013.aspx) - Commissioned Corps Bulletin column, has answers to several retirement related questions

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**Note:** Feedback and suggestions for this fact sheet are welcome and may be sent to [PPACBenefitsSC@gmail.com](mailto:PPACBenefitsSC@gmail.com).

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