



## FACT SHEET

### Retirement at 20 Years: Basics on Pension

Last Reviewed: July 10, 2015

#### Background

There are many factors for PHS Officers to consider when planning for retirement. This fact sheet summarizes some very basic information on retirement pay for PHS Officers who retire voluntarily after 20 years of active duty; it is not intended to be a comprehensive guide. For more detailed information, please visit [http://ccmis.usphs.gov/ccmis/separations/ASSIGNMENTS\\_retirements\\_m.aspx](http://ccmis.usphs.gov/ccmis/separations/ASSIGNMENTS_retirements_m.aspx), information about Separations Counselor can be found at [http://dcp.psc.gov/ccmis/separations/ASSIGNMENTS\\_separations\\_m.aspx](http://dcp.psc.gov/ccmis/separations/ASSIGNMENTS_separations_m.aspx)

#### Eligibility

Voluntary retirement from the USPHS is based on:

- ▶ “Retirement Credit Date” – must serve at least 20 years active duty, at least 10 of which were in USPHS
- ▶ Fulfillment of all terms under special pay contract, if applicable

#### Highlights

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

- ▶ Retired pay base is determined according to when active duty service began (see table below) – 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 (years active duty + constructive credits) and the pension system that applies (see table below)
- ▶ Constructive credits for Medical Officers
  - In general: up to 5 credit years (one for each year of medical school, one for internship year)
  - Graduate of the Uniformed Services University of the Health Sciences: up to 4 credit years
  - Are offset day-for-day by any previous service in DHHS as a civil service physician
  - **Example:** A Medical Officer who served four years as a civil service physician before completing 20 years active duty service in the USPHS would have
    - A total of one year constructive medical credit (5 years credit for medical school/internship minus 4 years as civil service physician)
    - 21 years of creditable service for retirement = 20 years active duty in USPHS plus 1 year constructive medical credit
    - **Retirement pay** for this Medical Officer (under High-3 system) = 2.5% per year x 21 years = 52.5% of the average of highest 3 years’ active duty base pay

There are 3 pension systems; 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 <sup>†</sup>
<b>COLA</b>	Equal to Consumer Price Index (CPI)	Equal to CPI	CPI minus 1%
<b>Bonus</b>	No Career Status Bonus (CSB) offered	CSB offered but not accepted by officer	CSB of \$30,000 accepted by officer at 15 years of service

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

\*If retired at 20 years before age 62, there is a one-time lump sum “catch-up” payment at age 62 (see explanation below).

‡Note that officers with DIEMS after 8/1/86 will be under the High 3 system if they do not accept the CSB at 15 years.

- ▶ One-time taxable lump sum “catch-up” payment at age 62
  - A feature unique to the Redux pension system
  - 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:
    - Retirement pay from age 55 to age 61 = (2% x 20 years) or 40% of base pay
    - Retirement pay at age 62:
      - 40% base pay + Catch-up amount + COLA amount same as for High-3 system
      - “Catch-up amount” is the difference in pay between Redux and High-3 system for the 7 years before age 62 = [(50% - 40%) or 10% base pay per year] x 7 years
    - After age 62:
      - Pension reverts back to 40% base pay per year
      - COLA reverts back to CPI minus 1 under Redux system (see table above)
- ▶ Can cash in terminal leave, up to 60 days [you will get paid for unused leave via Basic Pay, Basic Allowance for Subsistence, and Basic Allowance for Housing, but pay no Federal Insurance Contributions Act (FICA) tax], federal and state taxes will be deducted
- ▶ 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

- ▶ <http://dcp.psc.gov/CCMIS/COTA/Retirement.aspx> - Commissioned Corps Training Academy’s retirement online training
- ▶ [http://dcp.psc.gov/ccbulletin/articles/Retirement\\_FAQ\\_05\\_2013.aspx](http://dcp.psc.gov/ccbulletin/articles/Retirement_FAQ_05_2013.aspx) - new column in the Commissioned Corps Bulletin will feature answers to several retirement related questions with each edition

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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). While we do not respond to emails, we do read them and will consider all comments received.

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