



Maximizing Annual & Sick Leave



Maximizing Annual & Sick Leave

Welcome

- » Our audience today
- » Q&A – the ProFeds Support Team standing by
- » Handouts – available for download
- » Recorded – how to get the replay
- » Stay until the end!

Maximizing Annual & Sick Leave

Your ProFeds Presenter



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- » ProFeds Founder
- » Developer of the FedImpact Retirement Workshop
- » Host of the FedImpact Podcast



Support Team

- » Standing by for your questions

Maximizing Annual & Sick Leave

Maximizing Annual & Sick Leave

Highlighting the differences between annual leave and sick leave when it comes time to retire – and how to maximize each type of leave

Agenda

- » **DIFFERENCES:** Sick leave vs. Annual leave
- » **AT RETIREMENT:** How each leave type is paid out
- » **PAYOUT:** When you can expect to receive leave payments and how they are calculated
- » **TAXES:** The tax implications of leave payouts
- » **ADVANTAGES:** Which type of leave should federal employees take at the end of their career?

What this webinar will NOT cover

ANNUAL LEAVE WHILE WORKING

Accruing Leave While Working

- » Annual Leave Accrual*
 - Service of less than 3 years: **4 hours/pp**
 - Service between 3 years to 14 years: **6 hours/pp**
 - Service of 15 or more years: **8 hours/pp**
- » Hours are only earned for a complete pay period
- » May be used for any purpose

* Employees in part-time positions, uncommon tours of duty and Senior Executive Service, Senior Level, and Scientific or Professional positions earn different amounts of annual leave each pay period.

Accruing Leave While Working

» Annual Leave Carryover

- The term “carryover” refers to the hours of leave an employee is allowed to carry over into the next leave year
 - Most employees have a carryover limit of 240
 - Exceptions: Overseas service (360), USPS (440), SES (720)
- Excess hours are forfeited once the new leave year begins

Annual Leave Carryover Timeline*

<u>Year</u>	<u>End of Leave Year</u>	<u>Schedule ‘Use or Lose’ by</u>
2023	January 13, 2024	December 2, 2023
2024	January 11, 2025	November 30, 2024
2024	January 10, 2026	November 29, 2025
2026	January 9, 2027	November 28, 2026

* The beginning and ending dates of the leave years shown below apply to **most employees**. However, some agency payroll systems use a different pay period schedule. Employees should contact their agencies to verify the beginning and ending dates of a particular leave year.

SICK LEAVE WHILE WORKING

Accruing Leave While Working

» Sick Leave Accrual*

- Full-time employees: **4 hours/pp**
- » There is **NO LIMIT** to the amount of sick leave that you can accumulate and carry over from year-to-year
- » Hours are only earned for a complete pay period
- » May be used for a variety of medical/care purposes

* Part-time employees earn 1 hour for each 20 hour pay status. Employees in uncommon tours of duty earn an amount equal to 4 hours X average hours per bi-weekly ÷ 80 = bi-weekly sick leave accrual.

ANNUAL LEAVE IN RETIREMENT

Payout of ANNUAL Leave at Retirement

» What can be paid out:

- EARNED annual leave hours including:
 - Regular annual leave
 - Restored annual leave
 - Unexpired compensation time
 - Credit hours

Payout of ANNUAL Leave at Retirement

» How is it calculated:

- Hourly rate as if you had continued working (includes annual pay raises, but not retention allowances):
 - Regular annual leave
 - Restored annual leave
- Hourly rate based on your final salary:
 - Unexpired compensation time
 - Credit hours

Payout of ANNUAL Leave at Retirement

» How it is paid out:

- Annual leave is paid out in lump-sum by your agency within a few weeks of retirement (sometimes, this will be two payments)

» How it is taxed:

- Taxed as “ordinary” income (agencies use two methods – flat tax or treated as bi-weekly check)
- Withholdings: Federal/state/local taxes, FICA (SS/Medicare)
 - No withholdings for CSRS/FERS contributions, TSP, insurance premiums

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Example Scenario

- » Employee is debating on whether to retire on either **12/31/2023 or 1/31/2024**
- » They currently have the following:
 - Annual leave: **300**
 - Comp time: **35**
- » 2023 salary: \$95,000
- » 2024 salary: \$96,000 (anticipated)

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Example Scenario

- » Retiring: **12/31/2023**
- » Leave hours:
 - Annual leave: **300**
 - Comp time: **35**
- » 2023 salary: \$95,000
- » 2024 salary: \$96,000

Payout of ANNUAL Leave at Retirement

STEP 1: Determine Hourly Rate
Ending hourly rate: \$45.52
($\$95,000 \div 2,087 \text{ hours} = \$45.52/\text{hr}$)

STEP 2: Calculate Initial Payment
Total hours: $335 \times \$45.52 = \mathbf{\$15,249}$

STEP 3: Calculate Second Payment
(ONLY for regular annual & restored leave that would have been used the next year; determined by next year's pay raise)

Annual hours: $300 \times \$0.48 = \mathbf{\$144}$
($\$45.52 - \$46.00 = \$0.48 \text{ difference}$)

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Example Scenario

- » Retiring: **1/31/2024**
- » Leave hours:
 - Annual leave: **256**
 - Comp time: **35**
- » 2024 salary: \$96,000

Payout of ANNUAL Leave at Retirement

STEP 1: Determine Hourly Rate
Ending hourly rate: \$46.00
($\$96,000 \div 2,087 \text{ hours} = \$46.00/\text{hr}$)

STEP 2: Calculate Initial Payment
Total hours: $291 \times \$46.00 = \mathbf{\$13,386}$

STEP 3: Calculate Second Payment
Not applicable since this employee's leave would not have extended into the next year (2025)

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SICK LEAVE IN RETIREMENT

Payout of SICK Leave at Retirement

» What can be paid out:

- EARNED sick leave hours
- Remember, there is no limit to the number of sick leave hours you can save throughout your career
- Many years ago, FERS were on a 'use or lose' basis with sick leave, but that is no longer the case (both CSRS and FERS are treated exactly the same now)

Payout of SICK Leave at Retirement

» How it is paid out:

- Sick leave hours are converted into YY/MM/DD using the OPM "2087 Chart"
- That length of service is ADDED to the actual creditable service an employee had (for retirement purposes)
- NOTE: Unused sick leave only counts to increase your pension. It does NOT count toward eligibility, so it does not help you to retire sooner.

Payout of SICK Leave at Retirement

» How is it calculated:

- On the 2087 Chart, locate the number of sick leave hours you have (if in between numbers, round up)
- Let's dispel a common myth about sick leave...
 - It is NOT true that "only full months of sick leave" count
 - You MUST FIRST add the sick leave YY/MM/DD to the creditable service YY/MM/DD and THEN days which don't equal a full month are discarded.

Payout of SICK Leave at Retirement

» How is it taxed:

- Taxed as "ordinary" income (since it is simply part of your monthly pension check)
- Withholdings: Federal/state/local taxes

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Example Scenario

- » Retiring: **12/31/2023**
- » Sick leave: 1,203 hours (anticipated)
- » Converted equivalent: 6 months, 28 days

Use OPM's '2087 Chart' to convert hours into YY/MM/DD

[FedImpact.com/2087](https://www.fedimpact.com/2087)

						5 Mos	6 mos
16	93	267	441	615	788	962	1136
17	96	273	446	620	794	968	1142
18	99	279	451	625	800	974	1148
19	102	285	456	630	806	980	1154
20	105	291	461	635	811	986	1159
21	108	297	466	640	817	991	1165
22	111	303	471	645	822	997	1171
23	114	309	476	650	828	1003	1177
24	117	315	481	655	833	1009	1183
25	120	321	486	660	839	1015	1189
26	123	327	491	665	844	1021	1195
27	126	333	496	670	850	1027	1201
28	129	339	501	675	855	1033	1207
29	132	345	506	680	861	1039	1213
30	135	351	511	685	866	1045	1219
31	138	357	516	690	872	1051	1225
32	141	363	521	695	877	1057	1231
33	144	369	526	700	883	1063	1237
34	147	375	531	705	888	1069	1243
35	150	381	536	710	894	1075	1249
36	153	387	541	715	899	1081	1255
37	156	393	546	720	905	1087	1261
38	159	399	551	725	911	1093	1267
39	162	405	556	730	916	1099	1273
40	165	411	561	735	922	1105	1279
41	168	417	566	740	927	1111	1285
42	171	423	571	745	933	1117	1291
43	174	429	576	750	938	1123	1297
44	177	435	581	755	944	1129	1303
45	180	441	586	760	949	1135	1309
46	183	447	591	765	955	1141	1315
47	186	453	596	770	960	1147	1321
48	189	459	601	775	966	1153	1327
49	192	465	606	780	971	1159	1333
50	195	471	611	785	977	1165	1339
51	198	477	616	790	982	1171	1345
52	201	483	621	795	988	1177	1351
53	204	489	626	800	993	1183	1357
54	207	495	631	805	999	1189	1363
55	210	501	636	810	1004	1195	1369
56	213	507	641	815	1010	1201	1375
57	216	513	646	820	1015	1207	1381
58	219	519	651	825	1021	1213	1387
59	222	525	656	830	1026	1219	1393
60	225	531	661	835	1032	1225	1399
61	228	537	666	840	1037	1231	1405
62	231	543	671	845	1043	1237	1411
63	234	549	676	850	1048	1243	1417
64	237	555	681	855	1054	1249	1423
65	240	561	686	860	1059	1255	1429
66	243	567	691	865	1065	1261	1435
67	246	573	696	870	1070	1267	1441
68	249	579	701	875	1076	1273	1447
69	252	585	706	880	1081	1279	1453
70	255	591	711	885	1087	1285	1459
71	258	597	716	890	1092	1291	1465
72	261	603	721	895	1098	1297	1471
73	264	609	726	900	1103	1303	1477
74	267	615	731	905	1109	1309	1483
75	270	621	736	910	1114	1315	1489
76	273	627	741	915	1120	1321	1495
77	276	633	746	920	1125	1327	1501
78	279	639	751	925	1131	1333	1507
79	282	645	756	930	1136	1339	1513
80	285	651	761	935	1142	1345	1519
81	288	657	766	940	1147	1351	1525
82	291	663	771	945	1153	1357	1531
83	294	669	776	950	1158	1363	1537
84	297	675	781	955	1164	1369	1543
85	300	681	786	960	1169	1375	1549
86	303	687	791	965	1175	1381	1555
87	306	693	796	970	1180	1387	1561
88	309	699	801	975	1186	1393	1567
89	312	705	806	980	1191	1399	1573
90	315	711	811	985	1197	1405	1579
91	318	717	816	990	1202	1411	1585
92	321	723	821	995	1208	1417	1591
93	324	729	826	1000	1213	1423	1597
94	327	735	831	1005	1219	1429	1603
95	330	741	836	1010	1224	1435	1609
96	333	747	841	1015	1230	1441	1615
97	336	753	846	1020	1235	1447	1621
98	339	759	851	1025	1241	1453	1627
99	342	765	856	1030	1246	1459	1633
100	345	771	861	1035	1252	1465	1639

Find your leave hours (round up if in between)

28 days

1,206

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Example Scenario

	YY	MM	DD
Creditable Service	30	00	20
Military Service	04	00	00
Unused sick leave	00	06	28
	34	06	48
Rounded	34	07	48

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Example Scenario

- » Retiring: **12/31/2023**
- » Length of service
 - Without SL: **34y 0m**
 - With SL: **34y 7m**
- » Ending high-3: \$93,000

Payout of SICK Leave at Retirement

STEP 1: Determine Pension w/o SL

$\$93,000 \times 1.0\% \times 34y 0m = \$31,620$

STEP 2: Determine Pension w/ SL

$\$93,000 \times 1.0\% \times 34y 7m = \$32,163$

STEP 3: Calculate the Difference

$\$32,163 - \$31,620 = \$543$

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STRATEGY FOR WHEN TO USE WHICH ONE

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If You Had the Choice...

- » As you near retirement, use SICK leave whenever possible to preserve ANNUAL leave
- » Annual leave is more valuable to you because you are paid this amount upfront when you retire
- » Curious to see the math?

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Comparing the Value of Leave Hours (Sick Leave vs. Annual Leave)

	<u>Annual Leave</u>	<u>Sick Leave</u>
Amount	1 month	1 month
How is it paid to you?	Lump-sum shortly after retiring	Added to length of service in pension calculation and paid out over your lifetime
Example	If an employee retires with a <u>final salary</u> of \$95,000, the payout would be ~\$7,920 lump sum	If an employee is a regular FERS under age 62 with a <u>high-3 salary</u> of \$93,000, the payout would be \$77/year for the rest of your life

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But What If...

A very common question we are asked:

“I’m thinking of retiring 12/31/2023. If the end of the leave year is 1/13/2024, shouldn’t I just wait until then to retire so I have more annual leave to cash out?”

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But What If...

A very common question we are asked:

“Wouldn’t it be better if I just stayed employed and burned through my leave while still drawing a full check?”

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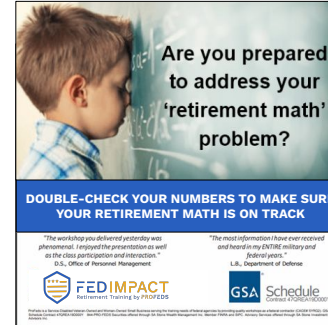
Balancing the 'Big Rock Theory'

- » Three levels of decisions
 - **Big rocks:** Big decisions with big consequences
 - **Pebbles:** Medium decisions with medium consequences
 - **Sand:** Small decisions with small consequences



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How does this fit into the bigger picture?



- » Attend a workshop:
 - In-person training
 - No cost to attend
 - Covers all of the federal benefit topics and decisions to be made
 - One-on-one help available
- » See all the details at:
FedImpact.com/Attend

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Handouts and Replay



- » Handouts
 - Download
 - Emailed
- » Replay
 - Link will be emailed to all registered participants

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Next Webinar



- » Next webinar topic!
 - **Your 10-Point Retirement Checklist**
Must-do action items, timelines and step-by-step instructions to be prepared
- » Sign-up at:
FedImpact.com/Webinar

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