



FACT SHEET

Discontinued Service Retirement (DSR)



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Eligibility

To be eligible to receive a DSR from your agency, you must meet several requirements:

- You must not be removed from your position due to misconduct or delinquency.
- You must not decline a reasonable offer of another position within your agency and commuting area for which you are qualified, and that position is no more than two grades or pay levels below your current.
- You must meet minimum age and service requirements as outlined below.

Age & Service Requirements

To be eligible to receive a DSR, you must have at least 5 years of federal (non-military) service, and meet certain age and service years combinations.

For instance, “age 50 with at least 20 years of service,” or “any age with at least 25 years of service.”

FERS DSR Eligibility	
Age	Years
50	20
Any	25

Bottom Line Up Front

DSR lowers typical retirement eligibility requirements while preserving most benefits as if you had been fully eligible. This is involuntary in nature and is decided by your agency.

Overview

The Discontinued Service Retirement (DSR) is one of the downsizing tools that agencies can use when needing to shrink its workforce. It allows agencies to involuntarily retire an employee who meets certain age and service requirements.

Frequently Asked Questions

- ✓ **Can I be forced to take a DSR?**
Yes—taking a DSR is an INVOLUNTARY retirement and that decision is made by your agency.
- ✓ **Will I have a penalty to my pension?**
No—your pension will be calculated using the normal pension formula with no penalties.
- ✓ **Can I also receive a VSIP cash buyout?**
No—DSRs and VSIPs are never offered to the same person because a DSR is an involuntary retirement, and a VSIP is only for those who voluntarily leave service.
- ✓ **How is DSR different from VERA?**
The DSR is an involuntary termination by the agency, and a VERA (“Early Out”) is a voluntary decision by the employee. Both have the same age and service requirements, pension calculations, and effect on other benefits.
- ✓ **Can I also receive severance pay?**
No—severance pay is only for employees who are involuntarily separated and do not qualify for an immediate pension. Although taking a DSR is an involuntary action, you will receive an immediate pension (making you ineligible for severance).
- ✓ **Will I lose my unused sick leave?**
No—under a DSR, your unused sick leave will be included in your pension calculation in the same way as if you were fully-eligible. The hours are converted to YYMMDD and added to your other creditable service to calculate your pension (but never helping you to be eligible to retire sooner).
- ✓ **Can I still make my military deposit?**
Maybe—military deposits must be made before leaving federal service. If you have not already started the military buyback process, you may not have time to complete it.

Effect on Various Federal Benefits

By taking the DSR, you may have some changes to the benefits that you would receive under normal retirement rules.

Federal Pension

Your FERS pension will be calculated using the normal pension formula and there are no penalties applied. However, since you'll have fewer years (and likely a lower high-3), the formula yields a lower pension number than if you had waited until being fully-eligible to retire. Your pension will begin immediately.

Survivor Benefit

You are still permitted to make an election to provide your spouse with a portion of your pension if you should die first. This decision is made on the retirement application that will be part of your DSR package. If your spouse wishes to keep FEHB after you die, they must be named as a "survivor annuitant."

Special Retirement Supplement

This benefit is normally paid to you if you retire on an immediate, unreduced pension from the time you retire until you reach age 62. If you leave on a DSR, you will still receive this benefit, but it will not start until you reach your Minimum Retirement Age (55-57, based on your year of birth), and it continues until age 62. For instance, if you retire at "age 50 with 20 years," you will not receive the supplement from age 50-56, but will receive it from age 57-61.

Social Security

Your Social Security benefit is calculated based on your highest 35 years of lifetime earnings (in or out of government service). By not working until being fully eligible, you may not reach the fullest potential of your Social Security benefit. Therefore, it may be lower than if you had continued working.

Life Insurance (FEGLI)

To keep FEGLI after leaving service, you are required to meet two rules. 1). You must be enrolled in FEGLI on the day you retire. 2). You must have been enrolled in FEGLI for 5 years immediately prior to your retirement date.

There are no waivers if you leave on a DSR and do not meet these requirements. You are permitted to convert your FEGLI coverage to specific private plans identified by OPM, but should consider the cost.

Health Insurance (FEHB)

To keep FEHB after leaving service, you are typically required to meet two rules. First, you must be enrolled in FEHB on the day you retire. Second, you must have been enrolled in FEHB for 5 years immediately prior to your retirement date.

However, OPM will grant an automatic waiver to you if you do not meet the 5-year rule as long as you had been covered under FEHB since the date OPM granted authority to the agency for this DSR offer.

Dental & Vision Insurance (FEDVIP)

You are permitted to keep FEDVIP coverage after leaving federal service. There are no requirements for having this coverage in place for a certain amount of time prior to leaving federal service, and you may even enroll in FEDVIP later.

Flexible Spending Account (FSAFEDS)

If you have a flexible spending account, it expires on the day you leave federal service. There are no extensions for expenses incurred after the day you retire, so be certain to use up these funds.

Long Term Care Insurance (FLTCIP)

Once you purchase a FLTCIP plan, you are permitted to keep it for your entire lifetime as long as you pay the premiums. There are no requirements for having this coverage in place for a certain amount of time prior to leaving federal service.

Thrift Savings Plan (TSP)

Shortly after you leave federal service, you are given full access to your TSP account and can make withdrawals or choose to move money out of the TSP.

Normally, the IRS applies a 10% early withdrawal penalty on all withdrawals taken from accounts like the TSP prior to age 59½. However, special rules allow an employee who separates or retires in the calendar year in which they turn age 55 (or older) to have penalty-free access to any money they withdrawal from the TSP.

If you do not meet this rule at the time you separate or retire, you will suffer a penalty for ALL money taken from the TSP prior to age 59½. While there are other ways to avoid this penalty, it requires very specific withdrawal methods that may feel limited or not aligned with your financial needs.



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