

## FERS, Sick Leave and Your Retirement: How Much Is This New Benefit Worth to You in Dollars and Cents?

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Some FERS pre-retirees are excited about the possibility of a larger pension, while others argue that the sick leave will be more valuable if it is used prior to retirement. Way back when I was starting out as a federal employee under CSRS, I remember "old-timers" arguing the same thing with the CSRS system. I, of course, paid no attention as I figured I would not be a federal employee for my full career.

Let's look at some simple math (the only kind of which I am capable) and see how the numbers come out. Let's assume a 56 year old FERS employee who has 30 years of service and a life expectancy of 30 years. This employee's high-three salary is \$60,000 and he has 1500 hours of sick leave. This calculation is based on a FERS retiree who retires more than three years after the law is effective and receives full credit for their sick leave. An employee who retires less than three years after the law is effective will receive 3/4 credit for their sick leave.

Without sick leave, his annuity would be \$18,000 per year ( $\$60,000 \times .30$ ). With sick leave included, his annuity would be \$18,400 per year ( $\$60,000 \times .30667$ ). He would also have 19 "hanging days" of sick leave that they could use up (for legitimate reasons, of course). Once he reaches age 62, his annuity will receive COLAs, thereby increasing the value of the \$400 extra per year. For a 30 year life expectancy, that would result in an additional \$12,000, not including the value of COLAs after age 62.

Now let's look at the employee who uses the leave. I'm only considering the eight months of leave that counted in the pension computation in the above paragraph. In other words, both the employee who used the S/L for retirement and the one that did not would use the 19 "hanging days". If an employee used eight months of sick leave, it would represent 2/3 of a year of sick time, or \$40,000. At \$400 per year, even with COLAs, it would be virtually impossible to get \$40,000 of value out of sick leave used in a pension.

These numbers seem to say that, from a financial perspective at least, it makes more sense to take the time.

However, I did not consider many other things that might come up, for example:

- You would have to use up the S/L over your whole career. It would be hard to find a manager who would let you use up 1500 hours of S/L in your final year.
- If you did find such a manager, you would earn an additional 68 hours of sick leave for the period of time you were taking the leave.
- For all federal employees, sick leave is our short-term disability policy. If you used your leave as you accrued it, you would not be prepared for a long short-term disability such as heart by-pass surgery. You also wouldn't be the best candidate for leave donations.
- If you really enjoy your job, you might not want to take sick leave and the increased pension would be a nice little addition to your overall retirement income.