Choosing the Best Date to Retire
Updated November 6, 2024

Deciding the best date to retire is a decision that requires careful consideration and planning. Your retirement date can have a significant impact on your retirement income, so please read this document in its entirety. Pay close attention as some sections contain differing guidance depending upon the retirement system by which you are covered:

Civil Service Retirement System (CSRS)

or

Federal Employees Retirement System (FERS)

Annuity Computation Commencement Date

The commencement date of a FERS annuity is the first day of the month after you retire. Regardless of the day you retire, your annuity will start to accrue the first of the following month. For example, you can choose to retire January 1, January 15, January 29 or January 30 and your annuity would commence (i.e., start to accrue) February 1. This is typically why most employees covered by FERS opt to retire at or near the last day of the month, so they avoid a lapse in the accrual of income.

The commencement date of a CSRS annuity is the day after you retire if you retire on the last day of the month or the 1st, 2nd, or 3rd of the month. If you retire on any other day, your annuity will start to accrue the first of the following month. For example, if you retire on January 1, your annuity will start to accrue January 2. If you retire January 4, your annuity will start to accrue February 1. This is why most employees covered by CSRS opt to retire at or near the last day of the month or the 1st, 2nd or 3rd of the month, so they avoid a lapse in accrual of income.

> **Important:** A Discontinued Service or Disability annuity may commence sooner than outlined in the previous paragraphs. Consult with your Retirement Counselor for additional information.

Retiring in the Middle of a Pay Period

When you retire in the middle of a pay period and do not complete your entire scheduled tour of duty (e.g., 80 hours per pay period for a full-time employee), you will not accrue sick or annual leave in your final pay period. To receive an annual and sick leave accrual in a pay period, you must either work and/or be in a paid leave status for the total number of hours your tour of duty is scheduled.

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Retiring on a Weekend When You Are Not Scheduled to Work

You may retire on any day of the month you choose, to include weekends. It is common for employees to choose a retirement date that aligns with a day they are scheduled to work, but this does not have to be the case. In fact, it is sometimes advantageous to schedule your official retirement date for a weekend, even if you are not scheduled to work that day.

Example - If you are covered by FERS and are considering retiring at the end of September 2023, retiring on September 30, 2023, would be ideal (see table below).

- You may consider retiring on September 29, 2023 because it is a Friday and is your last day of work for the week; however, if you retire on the 29th or the 30th, your annuity will start to accrue October 1, 2023.
- If you are not scheduled to work the weekend, your last workday would still be September 29, 2023; however, if you retire on the 30th you would receive an extra day of service credit towards the computation of your annuity, which may increase your annuity slightly.

FERS Example		
Friday	Saturday	Sunday
September 29	September 30	October 1

Example - If you are covered by CSRS and are considering retiring at the end of June 2023, the dates you should consider are June 30 – July 3, 2023 (see table below). A few considerations are below:

- If you are not scheduled to work weekends and retire June 30, 2023 your annuity would start to accrue July 1, 2023 when you otherwise would not have received pay from NASA.
- If you are not scheduled to work weekends, retiring July 1 or 2, 2023 is generally not ideal because you could have received annuity pay on these days. This may seem trivial; however, each day is 1/30th of your monthly annuity. If your monthly annuity payment is $5,000 a month that would be a loss of $166.67 per day.
    - Remember, do not make your decision by only looking at one variable. In this same scenario, if that one extra day would provide an additional month of total service, it may be worth forgoing the $166.67 in exchange for an additional month of service credit (see **Total Length of Service** section for additional information).

CSRS Example			
Friday	Saturday	Sunday	Monday
June 30	July 1	July 2	July 3

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High-3 Average Salary

The High-3 average salary is the highest average basic pay you earned during any 3 consecutive years of service. These 3 years are usually your final 3 years of service, but can be an earlier period, if your basic pay was higher during that period. Your High-3 average salary is calculated based on the pay you earned during each salary adjustment divided by 3. For example, see table below.

From	To	Annual Basic Pay	Total Time	Time Factor *	Pay Earned (Pay x Time Factor)
9/1/2019	1/4/2020	$48,657.00	4 months, 3 days	0.342	$16,641.00
1/5/2020	6/23/2020	$48,987.00	5 months, 18 days	0.467	$22,877.00
6/24/2020	12/31/2020	$54,256.00	6 months, 7 days	0.519	$28,159.00
1/1/2021	5/10/2021	$56,333.00	4 months, 9 days	0.358	$20,167.00
5/11/2021	10/25/2021	$57,987.00	5 months, 14 days	0.456	$26,442.00
10/26/2021	12/31/2021	$59,502.00	2 months, 5 days	0.181	$10,770.00
1/1/2022	8/31/2022	$60,125.00	8 months	0.667	$40,103.00
Total All pay Earned Column					**$165,159.00**
Now Divide by 3 to Get Your High-3 Salary					**$55,053.00**

* To get your "Time Factor" – you can use the Time Factor Table from Chapter 50 of OPM's CSRS/FERS Handbook

Cost of Living Adjustments (COLA)

COLAs are allowed by law and will increase your annuity. The COLA is based on increases in the Consumer Price Index (CPI). The retiree COLA is effective on December 1. The December annuity payment is paid on the first business day of January.

FERS retirees do not receive a COLA until age 62, unless retired under special provisions (such as law enforcement, firefighter, disability, etc.). If retired prior to age 62, the first COLA will not be prorated if you reach your 62nd birthday before December 1st. FERS annuitants who are not eligible to receive a COLA during their first year (or more) on the annuity roll will receive a full initial COLA, without proration, upon becoming eligible. Under FERS, if you have a Civil Service Retirement System (CSRS) component, the component is subject to the CSRS COLA calculation. The amount of COLA FERS retirees will receive is based on the table below.

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INCREASE IN CPI	AMOUNT OF COLA
Up to 2 Percent	Full Increase in CPI
2 Percent to 3 Percent	2 Percent Increase
3 Percent or More	Increase In CPI minus 1 Percent

CSRS retirees are eligible for COLA immediately upon retirement. The retirees are entitled to the full COLA based on the increases in the CPI. However, the first COLA is prorated as follows:

(COLA rate ÷ 12) x Number of full months on annuity roll = Prorated COLA

Example: If you retire on June 30, your annuity will commence on July 1, and you would receive 5/12 of the adjustment (for July through November).

Total Length of Service

When calculating your annuity, only full years and months of service credit are included in the computation. Any excess days are not creditable and are forfeited. When determining your total length of service, you need to take into consideration your sick leave in addition to the time you spent actually working.

Unused sick leave credit adds to the length of your service for annuity computation. The basic rule of thumb is every 5 to 6 hours of sick leave is equivalent to 1 day of service credit. The sick leave conversion chart provides the exact length of service.

Note: Your Retirement Counselor can provide you the link to the complete sick leave conversion chart.

For example, if you have 713 hours of sick leave that is equivalent to 4 months, 3 days of service credit (see partial table below):

Table of Converting Unused Sick Leave Into Additional Service

Months	0	1	2	3	4	5	6	7	8	9	10	11
Days												
0	0	174	348	522	696	870	1044	1217	1391	1565	1739	1913
1	6	180	354	528	702	875	1049	1223	1397	1571	1745	1919
2	12	186	360	533	707	881	1055	1229	1403	1577	1751	1925
3	17	191	365	539	713	887	1061	1235	1409	1583	1757	1931
4	23	197	371	545	719	893	1067	1241	1415	1589	1762	1936
5	29	203	377	551	725	899	1073	1246	1420	1594	1768	1942

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Once you determine your sick leave credit, you add that to your actual length of service (see example below) to determine your total service credit towards the calculation of your annuity. **NOTE:** Days under 30 are dropped and do not count towards the annuity calculation.

	Year	Month	Day
Length of Service	29 Years	10 Months	8 Days
Creditable Sick Leave	+ 0	+ 4 Months	+ 3 Days
Total Service for Retirement	29 Years	14 Months	11 Days
Used for Retirement	30 Years	2 Months	~~11 Days~~

Retiring Near the End of the Year

Many employees opt to retire near the end of the calendar year, or for employees covered by CSRS, this period extends through January 3. There are some advantages to this:

- Employees are able to preserve their annual leave during their final year of employment, thus maximizing their annual leave lump-sum payment. This is particularly important for employees who rely on this extra payment to bridge the gap during the first 3 to 6 months of retirement, when they only receive a portion of their annuity. The additional leave payout helps cover living expenses until the full annuity starts.
- COLAs are typically applied to salaries starting with the first full pay period of the new calendar year. Even if an employee retires before the pay adjustment takes effect, they may still benefit from the increase. When employees receive their leave payment upon separation, it is calculated as terminal leave—based on the salary in effect at the time they would have theoretically continued working until their annual leave was exhausted. If a COLA was expected, it will be factored into the leave payout calculation.

If you have any questions concerning this document, please contact:

NSSC Customer Contact Center
1-877-677-2123 (1-877-NSSC123) or nssc-contactcenter@mail.nasa.gov

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