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2014 Federal Benefits Handbook

2014 Federal Benefits Handbook

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Federal Pay

Overview of the Federal Pay Systems

The federal government pay system is comprised of several different pay systems and schedules. The primary pay systems and schedules are the General Schedule, the Federal Wage System, the Senior Executive Service, and the Executive Schedule. While the different pay systems and schedules are linked – and, most importantly, are capped by the Executive Schedule - each one covers different groups of employees. Each system and schedule is explained in more detail below. (There are certainly many other pay systems and schedules in the federal government, such as the Foreign Service Schedule, the Non-appropriated Fund Instrumentalities, and the Veterans Health Administration schedule. However, due to space constraints, these schedules and systems will not be covered in this particular publication.)

Locality Pay

As a general rule, federal employees' pay consists of two primary parts – "base pay" and "locality pay." While base pay is the same for each grade and step across the country, locality pay varies by geographic location. Thus, while a GS-9, step 5, employee in Kansas City will earn the same base pay as another GS-9, step 5, employee in Boston, the Boston employee will end up earning approximately $4,208 more annually because of locality pay. Locality pay is, in essence, the federal government's way of acknowledging that in many geographic areas federal employees are paid less than they would be paid in the private sector for a comparable position, and therefore locality pay is added to make up for part of the difference. Locality pay is not paid to employees overseas, or to those in Hawaii, Guam, US Virgin Islands, Alaska or Puerto Rico.

Executive Schedule

The Executive Schedule sets the pay rates for the top federal officials, from the U.S. President, Vice-President, and Cabinet Officers on down to heads and sub-heads of federal agencies. Below the President and Vice-President, the Executive Schedule consists of Levels I through V, with Level I being the highest paid, and Level V being the lowest paid. For the purposes of federal employee pay, the importance of the Executive Schedule is that it serves as a cap on federal employee pay. For example, below federal agency and department heads are a group of employees who are members of the "Senior Executive Service" or "SES." These employees have their own pay band, which is discussed below, but members of the SES are paid no more than Level II of the Executive Schedule (excluding any performance awards). Thus, Level II of the Executive Schedule serves as a "cap" on the amount that members of the SES can receive for pay.

Congressional and federal judicial salaries are also related to the Executive Schedule pay system, with most Members of Congress and federal district court judges receiving Level II pay. (We say "most" because Congressional majority and minority leaders and the Speaker of the House earn more than the Members of Congress and Senators who do not serve in leadership roles.)

In summary, while the Executive Schedule does not directly affect most federal employees' pay, it does serve as the uppermost limit, or "cap," on how much they can receive in pay.

Senior Executive Service

The typical compensation package for career senior executives includes salary and awards. Additionally, members enjoy a benefits package and are eligible for other forms of recognition.

Salary
The National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136, November 24, 2003) established a performance-based pay system for members of the Senior Executive Service. The SES pay range has a minimum rate of basic pay equal to 120 percent of the rate for GS-15, step 1, and the maximum rate of basic pay is equal to the rate

for Level III of the Executive Schedule. However, for any agency certified under 5 U.S.C. 5307(d) as having a performance appraisal system which, as designed and applied, makes meaningful distinctions based on relative performance, the maximum rate of basic pay will be the rate for Level II of the Executive Schedule.

On April 5, 2013, the U.S. Office of Personnel Management (OPM) issued a memorandum stating a continued freeze on pay adjustments for the SES.

The minimum rate of basic pay for SES members will remain at $119,554 in 2013. The applicable maximum rate of basic pay for the SES will continue to be $179,700 (EX-II) for SES members covered by a certified SES performance appraisal system and $165,300 (EX-III) for SES members covered by an SES performance appraisal system that has not been certified.

Agencies with certified performance appraisal systems for SES members and SL/ST positions must also apply a higher aggregate limitation on pay--up to the Vice President's salary ($230,700 in 2013, the same level as in 2012). (See 5 U.S.C. 5307 and 5 CFR part 530, subpart B.)

For a chart of the Rates of Basic Pay for Members of the Senior Executive Service visit the Salaries & Wages webpage.

Critical position pay up to Level I of the Executive Schedule may be authorized only in rare exceptional cases under 5 U.S.C. 5377. Critical position pay may be granted only for positions that require expertise of an extremely high level in a scientific, technical, professional, or administrative field, and are critical to the agency's accomplishment of the agency's mission, and only to the extent necessary to recruit or retain an individual exceptionally well qualified for the position.
Awards

Performance awards (bonuses) may be given only to career executives and are for performance during the previous appraisal period. The agency head approves awards following recommendations by the agency Performance Review Board. The amount of an award must be between 5 percent and 20 percent of the executive's rate of basic pay as of the end of the performance appraisal period. Generally, total award payments in an agency are limited to 10% of the aggregate amount of basic pay paid to career appointees as of the end of the previous fiscal year; an alternative formula is provided for small agencies. Superior accomplishment incentive awards for suggestion, invention, or special act or service may be paid, but not in lieu of a performance award (bonus).
View the latest guidance on awards (external link).

Senior executives can also be nominated for other forms of recognition.

Retention of SES benefits: Career SES members who, without a break in service, accept a Presidential appointment to an Executive Schedule position (or a position whose pay is set by reference to an Executive Schedule rate) may elect to retain SES benefits (e.g., pay, leave, performance awards and Presidential Rank Award eligibility).

General Schedule

Most federal employees fall under the “General Schedule” or “GS” pay scale. The General Schedule is the pay scale for professional or “white collar” employees, and is comprised of 15 “grades.” The lowest grade is 1, and the highest is 15. Each grade has 10 “steps.” Employees advance from one grade to another as they are promoted and their responsibilities increase. Employees move to higher steps within their grade level based on the length of their tenure and acceptable job performance. Advancement to either a higher grade or step means an increase in pay.

Because within-grade, or “step,” increases are based in part on an employee’s tenure, there are waiting periods before an employee can move to the next higher step. Before an employee can move to a step 2, 3, or 4, the employee must wait 52 weeks (1 year). To move to a step 5, 6, or 7, the employee must wait 104 weeks (2 years). And to be advanced to a step 8, 9, or 10, the employee is required to wait 156 weeks (3 years).

Pay raises for the General Schedule are determined annually each year by Congress and the President. Once the pay increase is set by law, the amount is allocated by the President between base pay and locality pay.

Federal Wage System

The Federal Wage System (FWS) covers federal "blue collar" workers. The system was developed to make the pay of these workers comparable to prevailing private sector rates in each local wage area. The regular pay plan covers most trade, craft, and laboring employees in the executive branch. The FWS does not cover Postal Service employees, legislative branch employees, or employees of private sector contracting firms.

For each wage area, OPM identifies a "lead" agency. The lead agency is responsible for conducting wage surveys, analyzing data, and issuing wage schedules under the policies and procedures prescribed by OPM. All agencies in a wage area pay their hourly wage employees according to the wage schedules developed by the lead agency. OPM has identified DOD as the lead agency for each local wage area. OPM does not conduct local wage surveys.

Under the FWS, the agency bases federal employee pay on what private industry is paying for comparable levels of work in the local wage area. Employees are paid the full prevailing rate at step 2 of each grade level. Step 5, the highest step in the FWS, is 12 percent above the prevailing rate of pay.

Biweekly Caps on Premium Pay

Be aware that under 5 U.S.C. 5547(a) and 5 CFR 550.105, General Schedule (GS) employees and other covered employees may receive certain types of premium pay for a biweekly pay period only to the extent that the sum of basic pay and premium pay for the pay period does not exceed the **greater** of the **biweekly** rate payable for (1) GS-15, step 10 (including any applicable locality payment or special rate supplement), or (2) the rate payable for level V of the Executive Schedule.

The biweekly rate is computed by (1) dividing the applicable annual rate by 2,087 hours, (2) rounding the resulting hourly rate to the nearest cent, and (3) multiplying the hourly rate by 80 hours. For example, in Atlanta, GA, the GS-15, step 10, annual locality rate of $154,501 divided by 2,087 hours yields an hourly rate of $74.03 and a biweekly rate of $5,922.40 ($74.03 x 80 hours). Similarly, the Executive Schedule Level V annual rate of $145,700 divided by 2,087 hours yields an hourly rate of $69.81 and a biweekly rate of $5,584.80 ($69.81 x 80 hours).

Go to https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/#url=Biweekly-Pay-Caps to see the biweekly and annual premium pay caps for 2013 by locality pay area. These caps become effective as of the first day of the first pay period beginning on or after January 1, 2013.

Additional Kinds of Pay and Compensation

Administratively Uncontrollable Overtime Pay

The head of an agency may approve administratively uncontrollable overtime (AUO) pay for an employee who occupies a position that requires substantial amounts of irregular, unscheduled overtime work that cannot be controlled administratively, with the employee generally being responsible for recognizing, without supervision, circumstances that require the employee to remain on duty.

AUO pay is a substitute form of payment for irregular, unscheduled overtime work and is paid on an annual basis instead of on an hourly basis. Agencies may not pay AUO pay to a prevailing rate (wage) employee, a member of the United States Park Police or the United States Secret Service Uniformed Division, a member of the Senior Executive Service, or a member of the Federal Bureau of Investigation or Drug Enforcement Administration Senior Executive Service.

AUO pay is determined as a percentage, not less than 10 percent nor more than 25 percent, of an employee's rate of basic pay fixed by law or administrative action for the position held by the employee, including any applicable special pay adjustment for law enforcement officers under section 404 of the Federal Employees Pay Comparability Act of 1990 (Pub. L. 101-509), locality-based comparability payment under 5 U.S.C. 5304, or continued rate adjustment under subpart G of 5 CFR part 531, before any deductions and exclusive of additional pay of any other kind.

Under OPM regulations, the rate of AUO pay that is authorized for a position is based on the average number of hours of irregular or occasional overtime work performed per week. For example, a 25 percent rate is authorized for a position that requires an average of over 9 hours per week of irregular or occasional overtime work. Agency reviews of the percentage of AUO pay paid to employees must be conducted "at appropriate intervals" and OPM recommends that such reviews be completed every 3 to 6 months by federal agencies. If the results of these reviews indicate that the employee is not receiving AUO pay in accordance with the law and regulations, the percentage of annual premium pay must be revised or, if appropriate, AUO pay must be discontinued.

Temporary assignments and absence on paid leave:

An employee will continue to receive premium pay on an annual basis:

- For a period of not more than 10 consecutive prescribed workdays on a temporary assignment to duties which do not warrant annual premium pay, and for a total of not more than 30 workdays in a calendar year while on temporary assignment; or
- For an aggregate of not more than 60 prescribed workdays on temporary assignment to a formally approved program for advanced training, directly related to the duties warranting premium pay.
- An employee may not be paid premium pay in excess of 60 days a year for the situations noted above combined.
- If an employee is already receiving annual premium pay when authorized leave with pay, annual premium pay will be continued for the period the employee is on leave so long as the criteria under which the premium pay was authorized continue to be met.

Call-Back Overtime

Call-back overtime applies to General Schedule, FP, and Federal Wage System exempt and non-exempt employees. Call-back overtime work is irregular or occasional overtime work performed by an employee on a day when no work is scheduled <u>or</u> at a time which requires the employee to return to the place of employment from an off-duty status. Call-back overtime work is deemed to be not less than 2 hours in duration for pay or compensatory time purposes. Thus, if an employee is called back for overtime work for a half-hour, the employee must receive 2 hours worth of call-back overtime pay. If a single call-back involves the employee for more than two hours and the time is continuous, the employee must be compensated for actual time.

An employee who is called back more than once during the same two-hour period is entitled to call-back overtime pay for each time called back. Call-back overtime pay is not conditioned on the actual performance of duty.

By definition, call-back overtime provisions do not apply to work performed by the employee when the employee works at a place of residence, when an employee lives and works on a vessel, or when the employee lives on the premises of a duty station, e.g., a remote radar site. An employee who corrects system problems by computer modem without returning to the workplace is not eligible for call-back pay. However, such employees may be eligible for overtime if they have been authorized to perform work at or from their residence. Overtime pay for these employees will be based on actual time spent in unscheduled overtime work, provided the work is substantial in nature (at least eight minutes), and approved procedures have been followed for verifying the time and performance of work.

Call-back on a Holiday

Employees who, on a holiday, are called back to work are entitled to at least two hours pay at the holiday premium pay rate. Compensatory time off is not allowed in lieu of pay for holiday call-back. The holiday rate is payable for all call-back hours which correspond to non-overtime hours of the employee's regular daily tour up to 8, except that an employee on a compressed work schedule may be paid call-back not to exceed the non-overtime hours of his or her tour.

An employee who is called back on a holiday would seem to have a dual pay entitlement, i.e., under 5 U.S.C. 5546 (two hours holiday call-back) and 5 U.S.C. 5542 (two hours regular call-back). However, for pay purposes, the

entitlements are said to be coextensive, i.e., the employee's minimum entitlement (ME) is limited to two hours, not four, when call-back is performed on a holiday and the entire period of call-back does not exceed two hours.

If the entire period corresponds to non-overtime hours, the employee will be paid at the holiday rate only. If the call-back period comprises non-overtime and overtime, the non-overtime hours will be paid at the holiday rate and the overtime period at the overtime rate.

Coextensive Entitlements

An employee who is called back on a holiday would seem to have a dual pay entitlement, i.e., under 5 U.S.C. 55468 (two hours holiday call-back) and 5 U.S.C. 5542 (two hours regular call-back). However, for pay purposes, the entitlements are said to be coextensive, i.e., the employee's minimum entitlement (ME) is limited to two hours, not four, when call-back is performed on a holiday and the entire period of call-back does not exceed two hours.

If the entire period corresponds to non-overtime hours, the employee will be paid at the holiday rate only. If the call-back period comprises non-overtime and overtime, the non-overtime hours will be paid at the holiday rate and the overtime period at the overtime rate. (37 Comp. Gen. 1).

Example 1 – Non-holiday Call-Back

An electronics technician's regular tour is Monday through Friday 8 a.m. to 4:30 p.m. The employee is called back to make an emergency repair late Monday night and works from 1 a.m. Tuesday until 2 a.m. He returns home and is called back for another emergency and works from 5:30 a.m. until 6 a.m. Tuesday morning.

- Regular tour: 8 a.m. - 4:30 p.m. Mon. thru Fri.
- Called back: 1 a.m. - 2 p.m. Tues. ME 2 hours OT 5:30 a.m. - 6 a.m. Tues. ME 2 hours OT

The employee's minimum entitlement (ME) is 2 hours overtime for the period between 1 a.m. and 2 a.m. and 2 hours overtime for the period between 5:30 a.m. and 6 a.m. for a total of 4 hours, payable at the overtime rate or by 4 hours of compensatory overtime.

Example 2 - Holiday Call-Back Extending Beyond The Hours Of The Employee's Regular Tour

An electronics technician's regular tour is Monday through Friday 8.00 a.m. to 4:30 p.m. Tuesday is a legal holiday and the employee is scheduled to be off. The employee is called in to make an emergency repair from 11:30 a.m. to 12 noon and again at 4 p.m. to 5:30 p.m.

- Regular tour: 8 a.m. - 4:30 p.m. Mon. thru Fri.
- Called back: 11:30 a.m. - 12 noon Tues. ME 2 hours H 4 p.m. - 5:30 p.m. Tues. ME 2 hour H plus 1 2 hours OT

The employee's entitlement to call-back pay and holiday pay are coextensive in both instances that day. However, the first period 11:30 a.m. to 12 noon coincides wholly within hours of the employee's regular tour. Therefore, it is paid at the holiday rate only.

The employee's second call-back consists of a 2 hour period which coincides with his regular hours and the remainder which is overtime. The period between 4 p.m. to 4:30 p.m. must be paid at the holiday premium pay rate; the 1 2 period from 4:30 p.m. to 6 p.m. must be paid at the overtime rate or by compensatory time.

Compensatory Time Off

Description

Compensatory time off is

- Time off with pay in lieu of overtime pay for irregular or occasional overtime work, or

- When permitted under agency flexible work schedule programs, time off with pay in lieu of overtime pay for regularly scheduled or irregular or occasional overtime work.

Employee Coverage

Compensatory time off may be approved in lieu of overtime pay for irregular or occasional overtime work for both FLSA exempt and nonexempt employees who are covered by the definition of "employee" at 5 U.S.C. 5541(2). Compensatory time off can also be approved for a "prevailing rate employee," as defined at 5 U.S.C. 5342(2), but there is no authority to require that any prevailing rate (wage) employee be compensated for irregular or occasional overtime work by granting compensatory time off.

Compensatory time off may be approved (not required) in lieu of regularly scheduled overtime work only for employees, including wage employees, who are ordered to work overtime hours under flexible work schedules. See 5 U.S.C. 6123(a)(1).

Mandatory

Agencies may require that an FLSA exempt employee (as defined at 5 U.S.C. 5541(2)) receive compensatory time off in lieu of overtime pay for irregular or occasional overtime work, but only for an FLSA exempt employee whose rate of basic pay is above the rate for GS-10, step 10. No mandatory compensatory time off is permitted for wage employees or in lieu of FLSA overtime pay.

Time Limits

FLSA-exempt employees

An FLSA-exempt employee must use accrued compensatory time off by the end of the 26th pay period after the pay period during which it was earned.

An agency may provide that an FLSA-exempt employee who (1) fails to take earned compensatory time off within 26 pay periods or (2) transfers to another agency or separates from Federal service before the expiration of the 26 pay period time limit:

- Receive payment for the unused compensatory time off at the overtime rate in effect when earned or
- Forfeit the unused compensatory time off, unless failure to use the compensatory time off is due to an exigency of the service beyond the employee's control. (An FLSA-exempt employee whose earned compensatory time off would otherwise be forfeited due to an exigency of service beyond the employee's control must receive payment for the unused compensatory time off at the overtime rate in effect when earned.)

FLSA-nonexempt employees

An FLSA-nonexempt employee must use accrued compensatory time off by the end of the 26th pay period after the pay period during which it was earned.

If accrued compensatory time off is not used by an FLSA-nonexempt employee within 26 pay periods or if the FLSA-nonexempt employee transfers to another agency or separates from Federal service before the expiration of the 26 pay period time limit, the employee must be paid for the earned compensatory time off at the overtime rate in effect when earned.

Separation or leave without pay status due to service in the uniform service or on-the-job injury

An FLSA-exempt or nonexempt employee must be paid for compensatory time off not used by the end of the 26th pay period after the pay period during which it was earned at the overtime rate in effect when earned if the employee is unable to use the compensatory time off because of separation or placement in a leave without pay status (1) to perform service in the uniformed services or (2) because of an on-the-job injury with entitlement to injury compensation under 5 U.S.C. chapter 81.

Compensatory time off to an employee's credit as of May 14, 2007

Compensatory time off to an employee's credit as of May 14, 2007 must be used by the end of the pay period ending 3 years after May 14, 2007. If the earned compensatory time off is not taken by the end of the pay period ending 3 years after May 14, 2007, the employee must be paid for overtime work at the dollar value prescribed in paragraph (g) of this section.

Amount

1 hour of compensatory time off is granted for each hour of overtime work.

Compensatory Time Off for Travel

Compensatory time off for travel is earned by an employee for time spent in a travel status away from the employee's official duty station when such time is not otherwise compensable.

Employee Coverage

Compensatory time off for travel may be earned by an "employee" as defined in 5 U.S.C. 5541(2) who is employed in an "Executive agency" as defined in 5 U.S.C. 105, without regard to whether the employee is exempt from or covered by the overtime pay provisions of the Fair Labor Standards Act of 1938, as amended. For example, this includes employees in senior-level (SL) and scientific or professional (ST) positions, but not members of the Senior Executive Service or Senior Foreign Service or Foreign Service officers. Effective April 27, 2008, prevailing rate (wage) employees are covered under the compensatory time off for travel provision.

"Compensable"

Compensatory time off for travel may only be earned for time in a travel status when such time is not otherwise "compensable." Compensable refers to periods of time creditable as hours of work for the purpose of determining a specific pay entitlement. For example, certain travel time may be creditable as hours of work under the overtime pay provisions in 5 CFR 550.112(g) or 551.422. (See fact sheet on hours of work for travel.)

Creditable Travel

To be creditable under this provision, travel must be officially authorized. In other words, travel must be for work purposes and must be approved by an authorized agency official or otherwise authorized under established agency policies.

For the purpose of compensatory time off for travel, time in a travel status includes:

- Time spent traveling between the official duty station and a temporary duty station;
- Time spent traveling between two temporary duty stations; and
- The "usual waiting time" preceding or interrupting such travel (e.g., waiting at an airport or train station prior to departure). The employing agency has the sole and exclusive discretion to determine what is creditable as "usual waiting time." An "extended" waiting period-i.e., an unusually long wait during which the employee is free to rest, sleep, or otherwise use the time for his or her own purposes-is not considered time in a travel status.

Commuting Time

- Travel outside of regular working hours between an employee's home and a temporary duty station or transportation terminal outside the limits of his or her official duty station is considered creditable travel time. However, the agency must deduct the employee's normal home-to-work/work-to-home commuting time from the creditable travel time.

- Travel outside of regular working hours between a worksite and a transportation terminal is creditable travel time, and no commuting time offset applies.
- Travel outside of regular working hours to or from a transportation terminal within the limits of the employee's official duty station is considered equivalent to commuting time and is not creditable travel time.

Crediting and Use

Compensatory time off for travel is credited and used in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). Employees must comply with their agency's procedures for requesting credit within the time period required by the agency. Employees must also comply with their agency's policies and procedures for scheduling and using earned compensatory time off for travel.

Forfeiture

Compensatory time off for travel is forfeited:

- If not used by the end of the 26th pay period after the pay period during which it was earned. (See Notes 1 and 2.)
- Upon voluntary transfer to another agency;
- Upon movement to a non-covered position; or
- Upon separation from the Federal Government. (See Note 1)

Under no circumstances may an employee receive payment for unused compensatory time off for travel.

Note 1: See exceptions for uniformed service or an on-the-job injury with entitlement to injury compensation at 5 CFR 550.1407(a)(2) and Question 24 of the Questions and Answers on Compensatory Time Off for Travel
.
Note 2: See exception due to an exigency of the service beyond the employee's control at 5 CFR 550.1407(e) and Question 25 of the Questions and Answers on Compensatory Time Off for Travel.

Limitations

Compensatory time off for travel may not be considered in applying the biweekly or annual premium pay caps or the aggregate limitation on pay. There is no limitation on the amount of compensatory time off for travel an employee may earn.

Meal Periods

For the purpose of earning compensatory time off for travel, bona fide meal periods are not considered time in a travel status. For example, if an employee spends an uninterrupted hour eating a meal at an airport restaurant while waiting for a connecting flight, that hour is not considered time in a travel status.

Once an Employee Reaches a Temporary Duty Station

Once an employee arrives at the temporary duty station, he or she is no longer considered to be in a travel status. Any time spent at a temporary duty station between arrival and departure is not creditable travel time for the purpose of earning compensatory time off.

Offsetting Creditable Time by Normal Commuting Time

If an employee travels directly between his or her home and a temporary duty station outside the limits of the employee’s official duty station (e.g., driving to and from a 3-day conference), the agency must deduct the employee’s normal home-to-work/work-to-home commuting time from the creditable travel time. The agency must also deduct an employee’s normal commuting time from the creditable travel time if the employee is required - outside of regular working hours - to travel between home and a transportation terminal (e.g., an airport or train station) outside the limits of the employee’s official duty station.

Travel to a Transportation Terminal within the Limits of the Official Duty Station

An employee's time spent traveling outside of regular working hours to or from a transportation terminal within the limits of his or her official duty station is considered equivalent to commuting time and is not creditable time in a travel status for the purpose of earning compensatory time off.

Travel from a Worksite to a Transportation Terminal

If an employee travels between a worksite and a transportation terminal, the travel time outside regular working hours is creditable as time in a travel status, and no commuting time offset applies.

Earning and Crediting Compensatory Time Off for Travel

Compensatory time off for travel is earned for qualifying time in a travel status. Agencies may authorize credit in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). Agencies must track and manage compensatory time off for travel separately from other forms of compensatory time off.

Lump-Sum Payments

If an employee has accrued compensatory time off for travel and separates from his or her agency, he or she may not receive a lump-sum payment for the time. The law prohibits payment for unused compensatory time off for travel under any circumstances.

Transferring to Another Agency

When an employee voluntarily transfers to another agency (including a promotion or change to lower grade action), the employee must forfeit all of his or her unused compensatory time off for travel.

Employee Moves to a Non-Covered Position

When an employee moves to a position in an agency that is not covered by the compensatory time off for travel provisions (e.g., the United States Postal Service), the employee must forfeit all of his or her unused compensatory time off for travel. However, the gaining agency may use its own legal authority to give the employee credit for such compensatory time off.

When Criminal Investigators Receiving Availability Pay Cannot Earn Compensatory Time Off for Travel

Compensatory time off for travel is earned only for hours that are not otherwise compensable. The term "compensable" is defined in 5 CFR 550.1403 to include any hours of a type that are creditable under other compensation provisions, even if there are compensation caps that limit the payment of premium pay for those hours (e.g., the 25 percent cap on availability pay and the biweekly premium pay cap). For availability pay recipients, this means that hours of travel are not creditable as time in a travel status for compensatory time off purposes if the hours are: (1) compensated by basic pay, (2) regularly scheduled overtime hours creditable under 5 U.S.C. 5542, or (3) "unscheduled duty hours" as described in 5 CFR 550.182(a), (c), and (d).

Environmental Differential Pay

Environmental differential pay applies only to Federal Wage System (FWS) employees. This type of pay is paid to FWS employees who are exposed to job-related hazards, physical hardships, or unusually severe working conditions. The list of hazards and hardships for which an employee may receive environmental differential pay can be found in Appendix A of 5 CFR section 532.

The amount of environmental differential pay that can be paid to an employee is determined by multiplying the rate authorized in Appendix A for the described exposure by the rate for WG-10, step 2 for the appropriated fund employees and NA-10 for the non-appropriated fund employees, on the current regular non-supervisory wage schedule

for the wage area for which the differential is payable. One-half cent or over shall count as a full cent. The resulting cents-an-hour amount shall be paid uniformly to each eligible FWS employee, regardless of the grade level of the employee or the FWS wage schedule on which the employee is paid.

Whether environmental differential is paid on the basis of all hours in a pay status or on the basis of actual exposure; depends on the hazard, physical hardship or working condition as listed in Appendix A. An employee who is entitled to environmental differential for all hours in a pay status shall be paid for all hours in a pay status on the day of exposure.

An employee who is entitled to environmental differential on an actual exposure basis shall be paid not less than one hour's differential pay for the exposure. For exposure beyond one hour, the employee will be paid in increments of one-quarter hour with less than 15 minutes rounded up to a quarter hour. However, environmental differential for such intermittent exposures may not exceed the number of hours of active duty by the employee on the day of exposure.

An employee may not be paid more than one environmental differential for a period of work. Payment shall be based on the higher of the two differentials authorized.

When an employee is eligible for environmental differential pay which is payable on a shift basis, and, on the same day, is eligible for environmental differential on an actual exposure basis at a higher rate, he or she must be paid environmental differential on the basis of actual exposure for that exposure, and environmental differential on the basis of the shift for the remaining hours in the pay status that day.

Additions to the Schedule of Differentials

The head of each operating unit and those to whom authority has been delegated are responsible for determining whether local situations are covered by one or more categories defined in Appendix A.

When the local situation is not covered by any of the defined categories, OPM may be requested to establish an appropriate category and differential. Any such request must be submitted to the Director for Human Resources from the operating unit head through the Principal Human Resources Officer with a description of the hazardous duty or physical hardship involved; the number, series, grades, and location of the positions affected; the potential annual cost to the Department if the waiver is approved; and the justification for the waiver. A copy of the position description and any supporting documentation must be attached.

Relationship to Other Pay

Environmental differential is included as part of the employee's basic rate of pay and must be used to compute premium pay for overtime, holiday, or Sunday work, the amount from which retirement deductions are made, and the amount on which group life insurance is based.

Effect of Excused Absence and Leave

An environmental differential is included as part of an employee's basic rate of pay for periods of paid leave under the following circumstances:

- When an employee is exposed to a situation for which an environmental differential is authorized on the basis of hours in a pay status, that differential will be paid during a period of absence on paid leave on the day on which the exposure occurs.
- When an employee is exposed to a situation for which an environmental differential is authorized on an actual exposure basis, the differential will be paid during a period of absence on paid leave only to the extent that the leave period is within the minimum period of payment for exposure.

An employee will not be paid an environmental differential during a period of absence on paid leave on any day on which he or she is not exposed to situations for which an environmental differential is authorized.

Effect of Environmental Differential Pay on Lump Sum Leave Payment and Severance Pay

Environmental differential pay is not part of basic pay for purposes of lump-sum annual leave payments and severance pay. Its loss is not an adverse action.

Evacuation Payments

Evacuation payments are made to employees or their dependents, or both, who are ordered to be evacuated from or within the United States and certain non-foreign areas in the national interest because of natural disasters or for military or other reasons that create imminent danger to the lives of the employees, their immediate family, or their dependents. The applicable non-foreign areas are listed in the definition of "United States area" in 5 CFR 550.402. Evacuation payments may be made to dependents 16 years of age or older, or to designated representatives, only with prior written authorization from the employee.

Note: This summary does not include information about evacuation payments for employees in foreign areas, which are paid under Chapter 600 of the Department of State Standardized Regulations (Government Civilians, Foreign Areas).

When an employee has been ordered to evacuate, agency heads may make advance payments of pay, allowances, and differentials to cover a time period of up to 30 calendar days, provided the agency head or designated official determines the payment is required to defray immediate expenses incidental to the evacuation. The initial evacuation payment may cover up to 60 days of pay, allowances, and differentials, including the period covered by the advance payment.

Evacuation payments may be made to cover a total of up to 180 calendar days (including the number of days for which payment has already been made) when employees continue to be prevented from performing their duties by an evacuation order. When feasible, evacuation payments must be paid on the employee's regular paydays.

Employees in an Executive agency may also receive additional allowance payments for travel expenses and subsistence expenses (i.e., per diem) to offset added expenses they incur as a result of their evacuation or the evacuation of their dependents.

Agencies must make all deductions from advance payments or evacuation payments that are authorized by law, including retirement or Social Security (FICA) deductions, authorized allotments, and federal income tax withholdings.

Not later than 180 days after the effective date of the order to evacuate, or when the emergency or evacuation is terminated, whichever is earlier, an employee must be returned to his or her regular duty station or reassigned to another duty station.

Hazardous Duty Pay

Hazardous duty pay is additional pay for the performance of hazardous duty or duty involving physical hardship. General Schedule (GS) employees receive hazardous duty pay if their job duties cause extreme physical discomfort or distress, which is not adequately alleviated by protective or mechanical devices. For example, duty that involves exposure to extreme temperatures for a long period of time, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation will require that an agency provide hazardous duty pay. Hazardous duty pay is similar to environmental differential pay. However, hazardous duty pay applies to GS employees, while environmental differential pay applies to FWS employees.

"Hazardous duty" means duty performed under circumstances in which an accident could result in serious injury or death, such as duty performed on a high structure where protective facilities are not used or on an open structure where adverse conditions such as darkness, lightning, steady rain, or high wind speeds exist. "Hazard pay differential" means additional pay for the performance of hazardous duty or duty involving physical hardship.

To review the hazard pay differentials schedule, see Appendix A of 5 CFR part 550, subpart I. Note that hazardous duty pay may not be paid for hours of work for which an employee receives annual premium pay (for regularly scheduled standby duty or administratively uncontrollable overtime work), or a criminal investigator receives availability pay.

Unauthorized Performance of Hazardous Duties

Hazardous duty pay may be paid only to employees who are assigned hazardous duties or duties involving physical hardship for which a differential is authorized. It may not be paid to an employee who undertakes to perform a hazardous duty on his or her own, without proper authorization.

Maximum Amount of Hazardous Duty Pay an Employee May Receive

An employee may receive no more than 25 percent of his or her rate of basic pay. However, employees do not receive this kind of pay just for the actual hours that they are performing hazardous duties. When an employee performs a duty for which a hazard pay differential is authorized, the agency must pay the hazard pay differential for all of the hours in which the employee is in a pay status on the day on which the duty is performed.

Hazardous Duty Pay During Overtime Hours

Employees may receive hazardous duty pay during overtime hours because the employee is in a pay status during overtime hours. However, the hazardous duty pay is computed on the employee's hourly rate of basic pay, not his or her hourly overtime rate.

Hazardous Duty Pay During Hours of Paid Leave

Hazardous duty pay may be paid during hours of paid leave if a hazardous duty is performed on a day on which paid leave is taken. For example, if an employee performs a hazardous duty for 1 hour and then takes annual leave for the 7 hours remaining in his or her workday, the employee is paid hazardous duty pay for the entire 8-hour workday.

Hazardous Duty Pay During Periods of Leave Without Pay

Hazardous duty pay cannot be paid during periods of leave without pay. It may only be paid while an employee is in a pay status.

Subject to the Aggregate Limitation on Pay

Hazardous duty pay is included in the aggregate limitation on pay, which limits an employee's aggregate compensation to the rate payable for level I of the Executive Schedule at the end of a calendar year.

Holiday Premium Pay

For each hour of holiday work, employees receive holiday premium pay. Holiday premium pay is equal to an employee's rate of basic pay. Employees who are required to work on a holiday receive their rate of basic pay, plus holiday premium pay, for each hour of holiday work. Employees who are required to perform any work during basic (non-overtime) holiday hours, are entitled to a minimum of 2 hours of holiday premium pay.

Standard (40 Hours/5 Days per Week) Work Schedules

Employees are entitled to holiday premium pay if they are required to work on a holiday during their regularly scheduled non-overtime basic tours of duty, not to exceed 8 hours.

Flexible Work Schedules

Employees under flexible work schedules are entitled to holiday premium pay if they are required to work during the hours of their "basic work requirement" (i.e., non-overtime hours) on that day, not to exceed 8 hours. In the event the President issues an Executive Order granting a "half-day" holiday, part-time employees on a flexible work schedule are

entitled to holiday premium pay if they are required to work during the last half of their basic work requirement (i.e., non-overtime hours) on that day, not to exceed 4 hours.

Compressed Work Schedules

Employees under compressed work schedules are entitled to holiday premium pay if they are required to work during their basic work requirement on that day. The number of hours of holiday premium pay may not exceed the hours in an employee's compressed work schedule for that day (e.g., 8, 9, or 10 non-overtime hours). In the event the President issues an Executive Order granting a "half-day" holiday, part-time employees on a compressed work schedule are entitled to holiday premium pay if they are required to work during the last half of their basic work requirement (i.e., non-overtime hours) on that day.

Part-time employees do not receive holiday premium pay for working on an "in lieu of" holiday for full-time employees.

Law Enforcement Availability Pay

Availability pay is a type of premium pay that is paid to federal law enforcement officers (LEOs) who are criminal investigators. Due to the nature of their work, criminal investigators are required to work, or be available to work, substantial amounts of unscheduled duty. Availability pay is generally an entitlement that an agency must provide if the required conditions are met, but is optional in Offices of Inspectors General that employ fewer than five criminal investigators.

Employee Coverage

Eligibility for availability pay is limited to criminal investigators who are properly classified in the GS-1811 (Criminal Investigations) and GS-1812 (Game Law Enforcement) series under Office of Personnel Management standards, and to pilots employed by the U.S. Customs Service. Availability pay will be extended to Special Agents in the Diplomatic Security Service when implementing regulations are effective. Employees in these groups must also meet the definition of "law enforcement officer" in 5 U.S.C. 5541(3) and 5 CFR 550.103, which generally requires that the employee be covered under the early retirement provisions for LEOs. However, a criminal investigator is also entitled to availability pay if he or she holds a supervisory or administrative position that has been officially approved as a "secondary position" under the LEO retirement provisions, even if the criminal investigator is not personally covered by those provisions.

Rate

By law, availability pay is fixed at 25 percent of a criminal investigator's rate of basic pay. However, the biweekly maximum earnings limitation for LEOs in 5 U.S.C. 5547 applies, which states that premium pay may be paid only to the extent that the payment does not cause the aggregate of basic pay and such premium pay for any pay period to exceed the **greater** of (1) the maximum rate of basic pay payable for GS-15 (including any applicable locality-based comparability payment and any applicable special rate of pay), **or** (2) the rate payable for level V of the Executive Schedule.

Unscheduled Duty

"Unscheduled duty" consists of those hours when a criminal investigator performs work, or is determined by the agency to be available to perform work, that are not part of the criminal investigator's basic 40-hour workweek and are not regularly scheduled overtime hours, excluding the first 2 hours of overtime work on a basic workday. (See exception in 5 U.S.C. 5542(e); for employees who perform protective duties.) However, Special Agents in the Diplomatic Security Service may not be credited with hours of availability pay.

Annual Certification

Each criminal investigator and the designated supervisory officer shall make an initial, and thereafter, annual certification to the head of the agency attesting that the investigator (1) currently meets the "substantial hours

requirement" (unless it is the initial certification) and (2) is expected to meet the requirement during the upcoming 1 year period.

Substantial Hours Requirement

A criminal investigator is eligible for availability pay only if he or she has an annual average of 2 or more hours of unscheduled duty per regular workday. Availability hours (non-work) on days that are not "regular workdays" cannot be credited for this determination.

Other Premium Pay

A "regular workday" includes each day in the criminal investigator's basic workweek in which the criminal investigator completes at least 4 hours of work. Hours that do not count include overtime hours, unscheduled duty hours, hours when the employee is traveling outside the official duty station, hours of approved leave, holiday hours, and hours of excused absence.

An agency may not pay a criminal investigator receiving availability pay:

1. annual premium pay for administratively uncontrollable overtime (AUO) work or regularly scheduled standby duty, or
2. overtime pay under the Fair Labor Standards Act. Receipt of availability pay does not affect a criminal investigator's entitlement to other types of premium pay (including title 5 overtime pay) based on regularly scheduled duty hours.

However, a criminal investigator receiving availability pay may not be paid any other premium pay based on unscheduled duty hours.

Title 5 Overtime Pay

For employees receiving availability pay, title 5 overtime pay is authorized only for overtime work scheduled in advance of the administrative workweek that is either in excess of 10 hours on a day containing part of the basic 40-hour workweek or on a day that does not include part of the basic 40-hour workweek. (Again, see the exception in 5 U.S.C. 5542(e) for employees who perform protective duties.)

Suspension

An employing agency may deny or cancel a certification for availability pay if a criminal investigator has failed to perform unscheduled duty as assigned or reported. However, the agency must follow adverse action procedures.

Night Pay

Night pay is a 10 percent differential paid to an employee for regularly scheduled work performed at night. An individual who meets the definition of "employee" in 5 U.S.C. 5541(2) is covered by the night pay provisions, including employees under the General Schedule. Prevailing rate (wage) employees are covered by a separate night shift differential authority.

Employee Coverage

An individual who meets the definition of "employee" in 5 U.S.C. 5541(2) is covered by the night pay provisions, including employees under the General Schedule.

Note: Prevailing rate (wage) employees are covered by a separate night shift differential authority. (See 5 U.S.C. 5343.)

Regularly Schedule Work

Night pay is paid for regularly scheduled work performed at night. This generally means work scheduled before the beginning of the administrative workweek. However, night pay is also paid for night work on a temporary assignment to a different daily tour of duty during the administrative workweek.

Night Work Hours

Generally, night work must be performed between the hours of 6 p.m. and 6 a.m., including night work under a compressed work schedule. For posts located outside the United States, the head of an agency may designate a time after 6 p.m. and before 6 a.m. as the beginning and end, respectively, of night work to accommodate the customary hours of business in the locality.

Relationship to Other Premium Pay

Night pay is paid in addition to overtime, Sunday, or holiday premium pay. Night pay is not basic pay for any purpose. An employee is entitled to night pay for paid leave only when the total amount of paid leave during a biweekly pay period is less than 8 hours. An employee is entitled to night pay when excused from night work on a holiday or another non-workday (this does not apply to alternative work schedule non-workdays).

Flexible Work Schedules

If a flexible work schedule includes 8 or more hours available for work between 6 a.m. and 6 p.m., the employee is not entitled to night pay for voluntarily working flexible hours between 6 p.m. and 6 a.m., including while earning credit hours.

An employee is entitled to night pay for those hours that must be worked between 6 p.m. and 6 a.m. to complete an 8-hour daily tour of duty.

An employee is entitled to night pay for any non-overtime work performed between 6 p.m. and 6 a.m. during designated core hours.

Computation Rules

The following rules apply to computing a night pay differential:

Multiply 10 percent times the employee's rate of basic pay (includes special rates of pay).
Include the following geographic payments in basic pay for this computation:

- locality-based comparability payments,
- special pay adjustments for law enforcement officers, and
- continued rates of pay

Non-foreign Area Cost-of-Living Allowances (COLAs)

The U.S. Government pays cost-of-living allowances (COLAs) to white-collar civilian federal employees in Alaska, Hawaii, Guam and the Commonwealth of the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. Approximately 49,000 employees, including U.S. Postal Service employees, receive these non-foreign area COLAs. Section 5941 of title 5, United States Code, and Executive Order 10000 (as amended) authorize the payment of COLAs in non-foreign areas.

To set the COLA rates, OPM surveys the prices of over 300 items, including goods and services, housing, transportation, and miscellaneous expenses. OPM conducts these surveys in each of the allowance areas and in the Washington, D.C. area.

Overtime Pay

As a general rule, federal employees receive overtime pay for hours of work officially ordered or approved in excess of 8 hours in a day, or 40 hours in an administrative workweek. Employees who work full-time, part-time, or intermittent tours of duty are eligible for overtime pay. For federal employees, the legal authorization for overtime pay usually comes from one of two sources – the Fair Labor Standards Act or Title 5 of the U.S. Code.

It is important to understand that the FLSA distinguishes between "exempt" and "nonexempt" employees. "Exempt" employees tend to be white collar workers, such as professional and managerial employees. These types of employees are called "exempt" because they are exempted from the minimum wage and overtime provisions of the FLSA. "Nonexempt" employees tend to be blue collar workers. Nonexempt employees are not exempt from the minimum wage and overtime provisions of the FLSA – they are covered by the FLSA.

Computing FLSA Overtime Pay

Background

Overtime pay for non-exempt employees is computed under the Fair Labor Standards Act (FLSA), subject to some special rules for federal employees. Under the FLSA, overtime pay is determined by multiplying the employee's "straight time rate of pay" by all overtime hours worked plus one-half of the employee's "hourly regular rate of pay" times all overtime hours worked. All overtime work that is ordered or approved or "suffered or permitted" must be compensated.

Include any applicable special rate supplement or locality payment in the "total remuneration" and "straight time rate of pay" when computing overtime pay under the FLSA. Compute the "hourly regular rate of pay" by dividing the "total remuneration" paid to an employee in the workweek by the number of hours in the workweek for which such compensation is paid.

Pay Limitations

The limitation on an hourly rate of overtime pay under title 5, United States Code, does **not** apply to overtime pay under the FLSA. Also, the maximum biweekly or annual earnings limitations on title 5 premium pay do **not** apply to FLSA overtime pay.

Computation

Multiply the straight time rate of pay by all overtime hours worked plus one-half of the employee's hourly regular rate of pay times all overtime hours worked.

Example:

Follow the steps below to compute FLSA overtime pay. The example below is based on a GS 7, step 1, annual rate of basic pay of $38,790 (2012-RUS)

Total Hours of Work: 52 hours
Overtime Work: 12 hours
Night work: 40 hours
Sunday Work: 8 hours

1. **Hourly Rate of Basic Pay (Straight Time Rate of Pay)**
   $38,790 / 2,087 hours = $18.59

2. **Total Remuneration**
   Basic Pay (40 hours)
   $18.59 x 40 hours = $743.60
   Night Pay (40 hours)
   $18.59 x .10 = $1.86
   $1.86 x 40 hours = $74.40

Sunday Premium Pay (8 hours)
$18.59 x .25 = $4.65
$4.65 x 8 hours = $37.20
Straight Time Pay
$18.59 x 12 hours = $ 223.08
Total Remuneration = $ 1,078.28 ($743.60 + $74.40 + $37.20 + $ 223.08)

3. **Hourly Regular Rate of Pay**
   $1,078.28 / 52 hours = $ 20.74

4. **FLSA Overtime Pay**
   Straight Time Rate of Pay x All Overtime Hours Worked
   $18.59 x 12 hours = $223.08
   One-half x Hourly Regular Rate of Pay x All Overtime Hours Worked
   0.5 x $20.74 = $10.37
   $10.37 x 12 hours = $124.44
   Total FLSA Overtime Pay = $ 347.52 ($223.08 + $124.44)

5. **Weekly Pay**
   Basic Pay = $ 743.60
   Night Pay = $ 74.40
   Sunday Premium Pay = $ 37.20
   FLSA Overtime Pay = $ 347.52
   Total Weekly Pay = $ 1,202.72 ($743.60 + $74.40 + $37.20 + $347.52)

Title 5 Overtime Pay

Overtime pay provided under title 5, United States Code, is pay for hours of work officially ordered or approved in excess of 8 hours in a day or 40 hours in an administrative workweek.

Employee Coverage

FLSA exempt employees, as defined in 5 U.S.C. 5541(2), who work full-time, part-time, or intermittent tours of duty are eligible for title 5 overtime pay. Employees in senior-level (SL) and scientific or professional (ST) positions who are paid under 5 U.S.C. 5376 are not excluded from the definition of "employee" in 5 U.S.C. 5541(2). Therefore, employees in SL and ST positions are covered by the premium pay provisions in subchapter V of chapter 55 of title 5, United States Code (e.g., overtime pay provisions in 5 U.S.C. 5542, and the biweekly and annual premium pay limitations in 5 U.S.C. 5547).

Rate of Basic Pay

For overtime pay purposes, rate of basic pay means the rate of pay fixed by law or administrative action (including special rates) and any applicable locality-based comparability payment or special pay adjustment for law enforcement officers.

Overtime Hourly Rate

For employees with rates of basic pay equal to or less than the rate of basic pay for GS-10, step 1, the overtime hourly rate is the employee's hourly rate of basic pay multiplied by 1.5.

Section 1121 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136) amended the overtime pay cap provisions that apply to employees covered by 5 U.S.C. 5542(a)(2). The new overtime pay cap became effective on November 24, 2003. Under the amended 5 U.S.C. 5542(a)(2), for employees with rates of basic pay greater than the basic pay for GS-10, step 1, the overtime hourly rate is the greater of:

1. the hourly rate of basic pay for GS-10, step 1, multiplied by 1.5 or

2. (the employee's hourly rate of basic pay

These hourly overtime pay limitations do not apply to prevailing rate (wage) employees or to FLSA overtime pay.

Limitations

There is a biweekly pay limitation that limits the amount of premium pay that can be paid during a biweekly pay period. Under 5 U.S.C. 5547(a) and 5 CFR 550.105, premium pay cannot be paid to General Schedule employees (including law enforcement officers and other covered employees) to the extent that doing so would cause an employee's basic pay, overtime pay, the dollar value of compensatory time off, night pay, annual premium pay, Sunday premium pay, and holiday premium pay to exceed the greater of the biweekly rate for GS-15, step 10 (including any applicable special salary rate or locality rate of pay), or level V of the Executive Schedule.

Exception: For employees performing emergency work (as determined by the agency head or OPM), or mission-critical work (as determined by the agency head), premium pay cannot be paid which causes the total of basic pay and premium pay to exceed the **greater** of the **annual** rate for GS-15, step 10 (including any applicable special salary rate or locality rate of pay); or level V of the Executive Schedule.

These limitations **do not** apply to wage employees or to FLSA overtime pay.

Note: The following types of premium pay remain subject to a biweekly limitation when other premium payments are subject to an annual limitation:

1. Standby duty pay under 5 U.S.C. 5545(c)(1);
2. Administratively uncontrollable overtime pay under 5 U.S.C. 5545(c)(2);
3. Availability pay for criminal investigators under 5 U.S.C. 5545a; and
4. Overtime pay for hours in the regular tour of duty of a firefighter covered by 5 U.S.C. 5545b.

Compensatory Time Off

The biweekly pay limitation in 5 U.S.C. 5547 is also a ceiling on compensatory time off. Compensatory time off is merely an alternative form of payment for overtime work. As such, the value of an hour of compensatory time off is equal to the overtime hourly rate that is payable in dollars. Thus, the number of hours for which an employee may receive monetary overtime pay is also the number of hours of compensatory time off that may be credited in a pay period. An employee may not exceed the biweekly pay limitation by choosing compensatory time off as a substitute for monetary overtime pay.

Standby Duty Pay

An agency may pay standby duty pay instead of the premium pay for regularly scheduled overtime, night, holiday, and Sunday work to an employee in a position requiring him or her regularly to remain at, or within the confines of, his or her station longer than 40 hours per week, a substantial part of which consists of remaining in a standby status rather than performing work. Standby duty pay can be up to 25 percent of the employee's rate of basic pay that does not exceed the rate of pay for GS-10, step 1 (including any applicable locality pay).

Sunday Premium Pay

A full-time employee is entitled to 25 percent of his or her rate of basic pay for work performed during a regularly scheduled basic 8-hour tour of duty that begins or ends on a Sunday. Sunday premium pay is not paid for overtime hours of work.

Employee Coverage

An *employee*, as defined in 5 U.S.C. 5541(2), is entitled to Sunday premium pay. This definition includes General Schedule employees and certain other white-collar civilian Federal employees. Prevailing rate (wage) employees are entitled to Sunday premium pay under 5 U.S.C. 5544(a).

Entitlement

An employee is entitled to Sunday premium pay equal to 25 percent of his or her rate of basic pay for each hour of Sunday work. For this purpose, Sunday work consists of non-overtime work during an employee's regularly scheduled basic tour of duty (not to exceed 8 hours) that begins or ends on a Sunday. Notwithstanding the normal 8-hour limit, for an employee on a compressed work schedule, all non-overtime hours in the employee's regularly scheduled daily tour of duty beginning or ending on a Sunday constitutes Sunday work. Sunday premium pay is equal to 25 percent of an employee's rate of basic pay.

Flexible Work Schedule - An employee under a flexible work schedule is entitled to Sunday premium pay for up to 8 hours of his or her basic work requirement based on electing to work flexible hours during a basic tour of duty that begins or ends on Sunday. However, an agency may preclude employees from working flexible hours during a basic tour of duty that begins or ends on Sunday. See Comptroller General Opinion B-245772, May 7, 1992, and 5 CFR 610.111(d). Employees may not earn Sunday premium pay when they earn or use credit hours.

Compressed Work Schedule - An employee under a compressed work schedule is entitled to Sunday premium pay for all non-overtime hours the employee works during each regularly scheduled basic tour of duty that begins or ends on Sunday.

Two Tours of Duty on Sunday

When a full time employee has two separate basic tours of duty on Sunday, he or she is entitled to Sunday premium pay for performing work during each tour of duty. For example, if an employee works 8 hours during a basic tour of duty that begins on Saturday and ends on Sunday, and also works 8 hours during a basic tour of duty that begins on the same Sunday and ends on Monday, the employee is entitled to 16 hours of Sunday premium pay.

Relationship to Overtime Pay

An employee under a standard work schedule is entitled to overtime pay for hours of work on Sunday that are in excess of 8 hours in a day or 40 hours in a week.

Flexible Work Schedule - An employee whose flexible work schedule includes work on Sunday is entitled to overtime pay for hours of work in excess of 8 hours in a day or 40 hours in a week and which are officially ordered in advance. This does not include any flexible hours of work applicable to the employee’s basic work requirement.

Compressed Work Schedule - An employee whose compressed work schedule includes work on Sunday is entitled to overtime pay for hours of work in excess of the employee’s compressed work schedule on that day.

Relationship to GS Night Pay

When an employee has a regularly scheduled basic tour of duty that begins or ends on Sunday and includes night work (between 6 p.m. and 6 a.m. for GS employees), the employee is entitled to night pay in addition to Sunday premium pay for work during night hours of the Sunday tour of duty. This applies to standard, flexible, and compressed work schedules. However, if a flexible tour of duty includes 8 or more hours available for work during daytime hours (i.e., between 6 a.m. and 6 p.m.), an employee is not entitled to night pay even though he or she voluntarily elects to work flexible hours at night.

Relationship to Holiday Premium Pay

When an employee has a regularly scheduled basic tour of duty that begins on Sunday and Sunday is a holiday, the employee is entitled to holiday premium pay and Sunday premium pay for up to 8 hours of work during that basic tour of duty. This applies to standard and flexible work schedules. However, a Sunday or holiday tour of duty is not limited to 8 hours for an employee under a compressed work schedule.

No Compounding of Premium Pay

Each separate entitlement to premium pay is computed separately as a premium pay percentage of an employee's rate of basic pay. No compounding occurs if an employee is entitled to more than one type of premium pay for the same hour of work.

Paid Leave, Excused Absence, and Holidays on Sunday

Full-time employees who are regularly scheduled to work non-overtime hours on Sunday, but do not work during their Sunday tour of duty because they are on paid leave or excused absence, or because they are using compensatory time off or credit hours, or because Sunday is a holiday, are not entitled to Sunday premium pay. Sunday premium pay may be paid only for periods when an employee performs work on Sunday.

Payment for Actual Work

Sunday premium pay is paid for any actual work performed during an employee's Sunday tour of duty. For example, if an employee's Sunday tour of duty is from 8 p.m. on Sunday until 4 a.m. on Monday and the employee is granted annual leave from 8 p.m. until 11 p.m., the employee is entitled to Sunday premium pay for 5 hours for working between 11 p.m. and 4 a.m.

Superseded Regulation

The regulation at 5 CFR 550.171(a) has been superseded by the appropriations restrictions limiting payment of Sunday premium pay to hours when employees actually perform work. Employees may not be paid Sunday premium pay for hours when they are in a leave, excused absence, or holiday status.

First-40 Tours of Duty

Since work under a first-40 tour of duty is regularly scheduled work, an employee under a first-40 tour of duty is entitled to up to 8 hours of Sunday premium pay when the employee performs non-overtime work on Sunday.

Recruitment Incentives

Description

An agency may pay a recruitment incentive to a newly-appointed employee if the agency has determined that the position is likely to be difficult to fill in the absence of an incentive.

Covered Positions

A recruitment incentive may be paid to an eligible individual who is appointed to a General Schedule (GS), senior-level (SL), scientific or professional (ST), Senior Executive Service (SES), Federal Bureau of Investigation and Drug Enforcement Administration (FBI/DEA) SES, Executive Schedule (EX), law enforcement officer, or prevailing rate position. OPM may approve other categories for coverage upon written request from the head of the employing agency.

Excluded Positions

Recruitment incentives may not be paid to Presidential appointees; non-career appointees in the Senior Executive Service; those in positions excepted from the competitive service by reason of their confidential, policy-determining, policy-making, or policy-advocating natures; agency heads; or those expected to receive an appointment as an agency head.

Definition of Newly Appointed

Recruitment incentives may be paid to an employee who is newly appointed to the federal government. "Newly appointed" refers to the first appointment (regardless of tenure) as an employee of the federal government, an

appointment following a break in service of at least 90 days from a previous appointment as an employee of the federal government, or, in certain cases, an appointment following a break in service of less than 90 days from a previous appointment as an employee of the federal government. (See the definition of "newly appointed" at 5 CFR 575.102.)

Agency Plan

Before paying a recruitment incentive, an agency must establish a recruitment incentive plan. The plan must include the designation of officials with authority to review and approve the payment of recruitment incentives, the categories of employees who may not receive recruitment incentives, the required documentation for determining that a position is likely to be difficult to fill, requirements for determining the amount of a recruitment incentive, the payment methods that may be authorized, requirements governing service agreements (including criteria for determining the length of a service period, the conditions for terminating a service agreement, and the obligations of the agency and the employee if a service agreement is terminated), and documentation and recordkeeping requirements. Unless the head of the agency determines otherwise, an agency recruitment incentive plan must apply uniformly across the agency.

Approval Criteria

For each determination to pay a recruitment incentive, an agency must document in writing the basis for determining that the position is likely to be difficult to fill in the absence of a recruitment incentive, the amount and timing of the incentive payments, and the length of the service period. The determination to pay a recruitment incentive must be made before the prospective employee enters on duty in the position for which recruited.

An agency may determine that a position is likely to be difficult to fill if the agency is likely to have difficulty recruiting candidates with the competencies (i.e., knowledge, skills, abilities, behaviors, and other characteristics) required for the position (or group of positions) in the absence of a recruitment incentive based on a consideration of the factors listed in 5 CFR 575.106(b). An agency also may determine that a position is likely to be difficult to fill if OPM has approved the use of a direct-hire authority applicable to the position.

Groups of Employees

An agency may target groups of similar positions that have been difficult to fill in the past or that are likely to be difficult to fill in the future and may make the required determination to offer a recruitment incentive on a group basis.

Payment

A recruitment incentive may not exceed 25 percent of the employee's annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period (not to exceed 4 years). With OPM approval, this cap may be increased to 50 percent (based on a critical agency need), as long as the total incentive does not exceed 100 percent of the employee's annual rate of basic pay at the beginning of the service period. (See 5 CFR 575.109(c).) The incentive may be paid as an initial lump-sum payment at the beginning of the service period, in installments throughout the service period, as a final-lump sum payment upon completion of the service period, or in a combination of these methods. An incentive may be paid to an individual not yet employed who has received a written offer of employment and signed a written service agreement.

Rate of Basic Pay

For the purpose of calculating a recruitment incentive, an employee's rate of basic pay includes a special rate under 5 CFR part 530, subpart C, a locality payment under 5 CFR part 531, subpart F, or similar payment under other legal authority, but excludes additional pay of any other kind. A recruitment incentive is not part of an employee's rate of basic pay for any purpose.

Aggregate Pay Limitation

Payment of a recruitment incentive is subject to the aggregate limitation on pay under 5 CFR part 530, subpart B.

Service Agreement

Before receiving a recruitment incentive, an employee must sign a written agreement to complete a specified period of employment with the agency. The service agreement must specify the length, commencement, and termination dates of the service period; the amount of the incentive; the method and timing of incentive payments; the conditions under which an agreement will be terminated by the agency; any agency or employee obligations if a service agreement is terminated (including the conditions under which the employee must repay an incentive or under which the agency must make additional payments for partially completed service); and any other terms and conditions for receiving and retaining a recruitment incentive.

Service Period

The employee's required service period may not be less than 6 months and may not exceed 4 years. The service period must begin upon the commencement of service with the agency and end on the last day of a pay period. The commencement of the service period may be delayed under certain conditions described in 5 CFR 575.110(b).

Termination of a Service Agreement – Discretionary

An agency may unilaterally terminate a recruitment incentive service agreement based solely on the management needs of the agency, in which case the employee is entitled to recruitment incentive payments attributable to completed service and to retain any incentive payments already received that are attributable to uncompleted service.

Termination of a Service Agreement – Mandatory

An agency must terminate a service agreement if an employee is demoted or separated for cause (i.e., for unacceptable performance or conduct), receives a rating of record lower than "Fully Successful" or equivalent during the service period, or otherwise fails to fulfill the terms of the service agreement. In such cases, the employee may retain any recruitment incentive payments attributable to completed service, but must repay any portion of the incentive attributable to uncompleted service. The agency is not obligated to pay the employee any outstanding incentive payment attributable to completed service unless such payment was required under the terms of the recruitment incentive service agreement. The full amount of the authorized recruitment incentive must be prorated across the length of the service period to determine the amount attributable to completed service and uncompleted service.

An agency must notify an employee in writing when it terminates a recruitment incentive service agreement. The termination of a service agreement is not grievable or appealable.

Relocation Incentives

Description

An agency may pay a relocation incentive to a current employee who must relocate to accept a position in a different geographic area if the agency determines that the position is likely be difficult to fill in the absence of an incentive. A relocation incentive may be paid only when the employee's rating of record under an official performance appraisal or evaluation system is at least "Fully Successful" or equivalent.

Covered Positions

A relocation incentive may be paid to an eligible individual who is appointed to a General Schedule (GS), senior-level (SL), scientific or professional (ST), Senior Executive Service (SES), Federal Bureau of Investigation and Drug Enforcement Administration (FBI/DEA) SES, Executive Schedule (EX), law enforcement officer, or prevailing rate position. OPM may approve other categories for coverage upon written request from the head of the employing agency.

Excluded Positions

Relocation incentives may not be paid to Presidential appointees; non-career appointees in the Senior Executive Service; those in positions excepted from the competitive service by reason of their confidential, policy-determining, policy-making, or policy-advocating natures; agency heads; or those expected to receive an appointment as an agency head.

Relocation to Different Geographic Area

Relocation incentives may be paid to an employee who:

- Must relocate to a different geographic area (permanently or temporarily) to accept a covered position in an agency when the position is likely to be difficult to fill; and
- Is an employee of the federal government immediately before the relocation? (See 5 CFR 575.205(a).)

A position is considered to be in a different geographic area if the worksite of the new position is 50 or more miles from the worksite of the position held immediately before the move. If the worksite of the new position is less than 50 miles from the worksite of the position held immediately before the move, but the employee must relocate (i.e., establish a new residence) to accept the position, an authorized agency official may waive the 50-mile requirement and pay the employee a relocation incentive. In all cases, an employee must establish a residence in the new geographic area before the agency may pay the employee a relocation incentive.

Agency Plan

Before paying a relocation incentive, an agency must establish a relocation incentive plan. The plan must include the designation of officials with authority to review and approve the payment of relocation incentives, the designation of officials with authority to waive the repayment of a relocation incentive, the categories of employees who may not receive relocation incentives, the required documentation for determining that a position is likely to be difficult to fill, requirements for determining the amount of a relocation incentive, the payment methods that may be authorized, requirements governing service agreements (including criteria for determining the length of a service period, the conditions for terminating a service agreement, and the obligations of the agency and the employee if a service agreement is terminated), and documentation and recordkeeping requirements. Unless the head of the agency determines otherwise, an agency relocation incentive plan must apply uniformly across the agency.

Approval Criteria

For each relocation incentive authorized, an agency must document in writing the basis for determining that the position is likely to be difficult to fill in the absence of a relocation incentive, the amount and timing of the incentive payments, the length of the service period, and that the worksite of the new position is in a different geographic area than the previous position. The determination to pay a relocation incentive must be made before the employee enters on duty in the position at the new duty station. Agency determinations to pay a relocation incentive must generally be made on a case-by-case basis.

An agency may determine that a position is likely to be difficult to fill if the agency is likely to have difficulty recruiting candidates with the competencies (i.e., knowledge, skills, abilities, behaviors, and other characteristics) required for the position (or group of positions) in the absence of a relocation incentive based on a consideration of the factors listed in 5 CFR 575.206(b). An agency may also determine that a position is likely to be difficult to fill if OPM has approved the use of a direct-hire authority applicable to the position.

Groups of Employees

An agency may waive the case-by-case approval requirement when the employee is a member of a group of employees subject to a mobility agreement or when a major organizational unit is being relocated to a new duty station. Under such a waiver, an agency must specify the group of employees covered, the conditions under which the waiver is approved, and the period of time during which the waiver may be applied. Groups of employees must be approved for relocation incentives using the same criteria that apply to individuals. (See 5 CFR 575.208(b).)

Payment

A relocation incentive may not exceed 25 percent of the employee's annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period (not to exceed 4 years). With OPM approval, this cap may be raised to 50 percent (based on a critical agency need), as long as the total incentive does not exceed 100 percent of the employee's annual rate of basic pay at the beginning of the service period. (See 5 CFR 575.209(c).) The incentive may be paid as an initial lump-sum payment at the beginning of the service period, in installments throughout the service period, as a final lump-sum payment upon completion of the service period, or in a combination of these methods. The agency may not pay a relocation incentive until the employee establishes a residence in the new geographic area.

Rate of Basic Pay

For the purpose of calculating a relocation incentive, an employee's rate of basic pay includes a special rate under 5 CFR part 530, subpart C, a locality payment under 5 CFR part 531, subpart F, or similar payment under other legal authority, but excludes additional pay of any other kind. A relocation incentive is not part of an employee's rate of basic pay for any purpose.

Aggregate Pay Limitation

Payment of a relocation incentive is subject to the aggregate limitation on pay under 5 CFR part 530, subpart B.

Service Agreement

Before receiving a relocation incentive, an employee must sign a written agreement to complete a specified period of employment with the agency at the new duty station. The service agreement must specify the length, commencement, and termination dates of the service period; the amount of the incentive; the method and timing of incentive payments; the conditions under which an agreement will be terminated by the agency; any agency or employee obligations if a service agreement is terminated (including the conditions under which the employee must repay an incentive or under which the agency must make additional payments for partially completed service); and any other terms and conditions for receiving and retaining a relocation incentive.

An agency may not commence a relocation incentive service agreement during a service period established by an employee's recruitment incentive service agreement or previously authorized relocation incentive service agreement. An agency may commence a relocation incentive service agreement during a service period established by an employee's previously authorized retention incentive service agreement or while an employee receives previously authorized retention incentive payments without a service agreement.

Service Period

The employee's required service period may not exceed 4 years. The service period must begin upon the commencement of service at the new duty station and end on the last day of a pay period. The commencement of the service period may be delayed under certain conditions described in 5 CFR 575.210(b).

Termination of a Service Agreement – Discretionary

An agency may unilaterally terminate a relocation incentive service agreement based solely on the management needs of the agency, in which case the employee is entitled to relocation incentive payments attributable to completed service and to retain any incentive payments already received that are attributable to uncompleted service.

Termination of a Service Agreement – Mandatory

An agency must terminate a service agreement if an employee is demoted or separated for cause (i.e., for unacceptable performance or conduct), receives a rating of record lower than "Fully Successful" or equivalent during the service period, or otherwise fails to fulfill the terms of the service agreement. In such cases, the employee may retain any relocation incentive payments attributable to completed service, but must repay any portion of the incentive

attributable to uncompleted service. The agency is not obligated to pay the employee any outstanding incentive payment attributable to completed service unless such payment was required under the terms of the relocation incentive service agreement.

An agency must notify an employee in writing when it terminates a relocation incentive service agreement. The termination of a service agreement is not grievable or appealable.

Retention Incentives (likely to leave the Federal service)

Description

An agency may pay a retention incentive to a current employee if the agency determines that the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee and that the employee would be likely to leave the federal service in the absence of a retention incentive. A retention incentive may be paid only when the employee's rating of record under an official performance appraisal or evaluation system is at least "Fully Successful" or equivalent.

Covered Positions

A retention incentive may be paid to an eligible individual in a General Schedule (GS), senior-level (SL), scientific or professional (ST), Senior Executive Service (SES), Federal Bureau of Investigation and Drug Enforcement Administration (FBI/DEA) SES, Executive Schedule (EX), law enforcement officer, or prevailing rate position. OPM may approve other categories for coverage upon written request from the head of the employing agency.

Excluded Positions

Retention incentives may not be paid to Presidential appointees; non-career appointees in the Senior Executive Service; those in positions excepted from the competitive service by reason of their confidential, policy-determining, policy-making, or policy-advocating natures; agency heads; or those expected to receive an appointment as an agency head.

Agency Plan

Before paying a retention incentive, an agency must establish a retention incentive plan. The plan must include the designation of officials with authority to review and approve the payment of retention incentives, the categories of employees who may not receive retention incentives, the required documentation for determining that an employee would be likely to leave the federal service, requirements for determining the amount of a retention incentive, the payment methods that may be authorized, requirements governing service agreements (including criteria for determining the length of a service period, the conditions for terminating a service agreement, the obligations of the agency and the employee if a service agreement is terminated, and the conditions for terminating retention incentive payments when no service agreement is required), and documentation and recordkeeping requirements. Unless the head of the agency determines otherwise, an agency retention incentive plan must apply uniformly across the agency.

Approval Criteria

For each retention incentive authorized, an agency must document in writing the basis for determining that the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee and that the employee would be likely to leave the Federal service in the absence of a retention incentive. An agency may make this determination based on a consideration of the factors listed in 5 CFR 575.306(b). In addition, an agency must document in writing the basis for determining the amount and timing of the incentive payments and the length of the service period. The authorized agency official must review and approve the retention incentive determination before the agency pays the incentive to the employee.

Defining the Group

An agency must narrowly define the targeted group of employees to be paid a group retention incentive using factors that relate to the employees' unusually high or unique qualifications or the special need for the employees' services that makes it essential to retain the employees in the group and their likelihood to leave. Appropriate factors may be occupational series, grade level, distinctive job duties, unique competencies, assignment to a special project, minimum agency service requirements, organization or team designation, geographic location, and required rating of record. (While a rating of record of higher than "Fully Successful" may be a factor used in defining the targeted category, a rating of record by itself is not sufficient to justify a retention incentive.)

Payment

An agency must establish a single retention incentive rate for the employee, expressed as a percentage of the employee's rate of basic pay, not to exceed 25 percent. With OPM approval, this cap may be increased to 50 percent (based on a critical agency need). (See 5 CFR 575.309(e).) The incentive may be paid in installments after the completion of specified periods of service within the full period of service required by the service agreement or in a single lump sum after completion of the full period of service required by the service agreement. An agency may not pay a retention incentive as an initial lump-sum payment at the start of a service period or in advance of fulfilling the service period for which the retention incentive is received. A retention incentive installment payment may be computed at the full retention incentive percentage rate or at a reduced rate with the excess deferred for payment at the end of the full service period. Explanations of how to compute retention incentive installment payments, may be found at 5 CFR 575.309(c) and (d); and in the guidance on Retention Incentive Payment and Termination Calculations.

An agency may not offer or authorize a retention incentive for an individual prior to employment with the agency. An agency may not begin paying a retention incentive during the service period established by an employee's recruitment or relocation incentive service agreement. However, a relocation incentive may be paid to an employee who is already receiving a retention incentive. An agency may not begin paying a retention incentive during the service period established by an employee's previously authorized retention incentive or while an employee is receiving a previously authorized retention incentive without a service agreement.

Other Provisions

An agency may pay a group-based retention incentive to any individual in the targeted group if all other conditions and requirements for payment of a retention incentive are met. See the Retention Incentives (likely to leave the Federal service) fact sheet for further information about these conditions and requirements, including conditions related to the service period, service agreement, and the continuation, reduction, or termination of a retention incentive.

Retention Incentive Payment and Termination Calculations

Background

An agency may pay a retention incentive under 5 U.S.C. 5754 and 5 CFR part 575, subpart C, to a current employee if:

- The agency determines that the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee and that the employee would be likely to leave the Federal service in the absence of an incentive, or
- The agency has a special need for the employee's services that makes it essential to retain the employee in his or her current position during a period of time before the closure or relocation of the employee's office, facility, activity, or organization and the employee would be likely to leave for a different position in the Federal service in the absence of a retention incentive.

An agency may authorize a retention incentive for an individual employee or a group or category of employees. See the Retention Incentives (likely to leave the Federal service), Retention Incentives (likely to leave for a different Federal position), Group Retention Incentives (likely to leave the Federal service), and Group Retention Incentives (likely to leave for a different Federal position) fact sheets for additional information.

Payment options

A retention incentive may be paid:

- In installments after the completion of specified periods of service during the course of the full service period (biweekly, monthly, quarterly, etc.); or
- As a single lump-sum payment after the completion of the full period of service required by a service agreement.

An agency may not pay a retention incentive as an initial lump-sum payment at the start of a service period or in advance of fulfilling the service or installment period for which the incentive is being paid.

Payment calculation

An agency must establish a retention incentive rate for each individual or group retention incentive authorization, expressed as a percentage of an employee's rate of basic pay. The retention incentive rate may not exceed 25 percent of an employee's rate of basic pay, if authorized for an individual employee, or 10 percent of an employee's rate of basic pay, if authorized for a group or category of employees. With OPM approval, this cap may be increased to 50 percent in certain circumstances. (See 5 CFR 575.309(e) and 575.315(e).)

If an agency chooses to pay retention incentives in installments, it may compute each retention incentive installment payment using the full retention incentive percentage rate established for the employee (or group of employees) or a reduced percentage rate. An agency may not pay a retention incentive to an employee who is likely to leave for a different Federal position in biweekly installments at the full retention incentive percentage rate. Each installment payment is derived by multiplying the full or reduced retention incentive percentage rate by the total rate of basic pay the employee earned during the installment period. If the retention incentive installment payment percentage is less than the full percentage rate established for the employee (or group of employees), any accrued portion of the retention incentive not paid upon completion of the installment period must be paid as part of a final installment payment after completion of the full service period under the terms of the service agreement.

A retention incentive paid as a single lump-sum payment upon completion of the full period of service required by a service agreement is derived by multiplying the retention incentive percentage rate established for the employee (or group of employees) by the total amount of basic pay earned by the employee during the full service period.

Rate of basic pay

For the purpose of calculating a retention incentive, a rate of basic pay includes a special rate under 5 CFR part 530, subpart C, or similar payment under other legal authority, and a locality-based comparability payment under 5 CFR part 531, subpart F, or similar payment under other legal authority, but excludes additional pay of any other kind. For example, a rate of basic pay excludes night shift differentials under 5 U.S.C. 5343(f) or environmental differentials under 5 U.S.C. 5343(c)(4) for Federal Wage System employees. (See the definition of "rate of basic pay" at 5 CFR 575.302.)

Examples of payment calculations

The following chart compares how a 10 percent retention incentive is calculated and paid using a sample of payment options available under the regulations. An employee's biweekly rate (computed under 5 U.S.C. 5504) must be used to compute an installment payment or a lump-sum payment. The installment payment is derived by multiplying the employee's basic pay earned in each biweekly pay period during the installment period by the percentage bonus retention rate. In the examples below, a biweekly rate of $3,057.60 is used to compute retention incentive installment payments after 13 and 26 pay periods of service and to compute a retention incentive lump-sum payment after 26 pay periods of service.

Retention Incentives (likely to leave the Federal service)

Description

An agency may pay a retention incentive to a current employee if the agency determines that the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee and that the employee would be likely to leave the Federal service in the absence of a retention incentive. See the Retention Incentives (likely to leave for a different Federal position) fact sheet if an employee is likely to leave for a different position in the Federal service. A retention incentive may be paid only when the employee's rating of record under an official performance appraisal or evaluation system is at least "Fully Successful" or equivalent.

Covered Positions

A retention incentive may be paid to an eligible individual in a General Schedule (GS), senior-level (SL), scientific or professional (ST), Senior Executive Service (SES), Federal Bureau of Investigation and Drug Enforcement Administration (FBI/DEA) SES, Executive Schedule (EX), law enforcement officer, or prevailing rate position. OPM may approve other categories for coverage upon written request from the head of an executive agency.

Excluded Positions

Retention incentives may not be paid to Presidential appointees; noncareer appointees in the Senior Executive Service; those in positions excepted from the competitive service by reason of their confidential, policy-determining, policy-making, or policy-advocating natures; agency heads; or those expected to receive an appointment as an agency head.

Agency Plan

Before paying a retention incentive, an agency must establish a retention incentive plan. The plan must include the designation of officials with authority to review and approve the payment of retention incentives, the categories of employees who may not receive retention incentives, the required documentation for determining that an employee would be likely to leave the Federal service, requirements for determining the amount of a retention incentive, the payment methods that may be authorized, requirements governing service agreements (including criteria for determining the length of a service period, the conditions for terminating a service agreement, the obligations of the agency if a service agreement is terminated, and the conditions for terminating retention incentive payments when no service agreement is required), and documentation and recordkeeping requirements. Unless the head of the agency determines otherwise, an agency retention incentive plan must apply uniformly across the agency.

Approval Criteria

For each retention incentive authorized, an agency must document in writing the basis for determining that the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee and that the employee would be likely to leave the Federal service in the absence of a retention incentive. An agency may make this determination based on a consideration of the factors listed in 5 CFR 575.306(b). In addition, an agency must document in writing the basis for determining the amount and timing of the incentive payments and the length of the service period. The authorized agency official must review and approve the retention incentive determination before the agency pays the incentive to the employee.

Payment

An agency must establish a single retention incentive rate for the employee, expressed as a percentage of the employee's rate of basic pay, not to exceed 25 percent. With OPM approval, this cap may be increased to 50 percent (based on a critical agency need). (See 5 CFR 575.309(e).) The incentive may be paid in installments after the completion of specified periods of service within the full period of service required by the service agreement or in a single lump sum after completion of the full period of service required by the service agreement. An agency may not

pay a retention incentive as an initial lump-sum payment at the start of a service period or in advance of fulfilling the service period for which the retention incentive is received. A retention incentive installment payment may be computed at the full retention incentive percentage rate or at a reduced rate with the excess deferred for payment at the end of the full service period. Explanations of how to compute retention incentive installment payments may be found at: 5 CFR 575.309(c) and (d), and in the guidance on Retention Incentive Payment and Termination Calculations.

An agency may not offer or authorize a retention incentive for an individual prior to employment with the agency. An agency may not begin paying a retention incentive during the service period established by an employee's recruitment or relocation incentive service agreement. However, a relocation incentive may be paid to an employee who is already receiving a retention incentive. An agency may not begin paying a retention incentive during the service period established by an employee's previously authorized retention incentive or while an employee is receiving a previously authorized retention incentive without a service agreement.

Groups of Employees

An agency may pay a retention incentive of up to 10 percent of basic pay (or up to 50 percent with OPM approval, based on a critical agency need) to an eligible group or category of employees if the agency determines that the unusually high or unique qualifications of the group or a special need of the agency for the employees' services makes it essential to retain the employees and that there is a high risk that a significant number of employees in the group would leave the Federal service in the absence of a retention incentive. (See the Group Retention Incentives (likely to leave the Federal service) fact sheet for additional information.)

Rate of Basic Pay

For the purpose of calculating a retention incentive, the employee's rate of basic pay includes a special rate under 5 CFR part 530, subpart C, a locality payment under 5 CFR part 531, subpart F, or similar payment under other legal authority, but excludes additional pay of any other kind. A retention incentive is not part of an employee's rate of basic pay for any purpose.

Aggregate Pay Limitation

Payment of a retention incentive is subject to the aggregate limitation on pay under 5 CFR part 530, subpart B.

Service Agreement

Before receiving a retention incentive, an employee must sign a written agreement to complete a specified period of service with the agency. The service period must begin on the first day of a pay period and end on the last day of a pay period. The service agreement must specify the retention incentive percentage rate established for the employee, the method and timing of incentive payments, the conditions under which an agreement will be terminated by the agency, any agency obligations if a service agreement is terminated (including the conditions under which the agency must make an additional payment for partially completed service), and any other terms and conditions for receiving and retaining retention incentives. A written service agreement is not required if the agency pays the retention incentive in biweekly installments and sets the biweekly installment payment at the full retention incentive percentage rate established for the employee. (See 5 CFR 575.310(f).)

Continuation, Reduction, or Termination of a Retention Incentive

Discretionary

An agency may unilaterally terminate a retention incentive service agreement based solely on the management needs of the agency, in which case the employee is entitled to retain any retention incentive payment attributable to completed service and to receive any portion of a retention incentive payment owed by the agency for completed service.

Mandatory

An agency must terminate a retention incentive service agreement when conditions change such that the original determination to pay the retention incentive no longer applies (such as when the agency assigns the employee to a different position that is not within the terms of the service agreement) or when payment is no longer warranted. The employee is entitled to retain any retention incentive payment attributable to completed service and to receive any portion of a retention incentive payment owed by the agency for completed service.

An agency also must terminate a service agreement if the employee is demoted or separated for cause (i.e., for unacceptable performance or conduct), receives a rating of record below "Fully Successful" or equivalent during the service period, or otherwise fails to fulfill the terms of the service agreement. In such cases, the employee is entitled to retain retention incentive payments previously paid by the agency that are attributable to the completed portion of the service period. If the employee received retention incentive payments that are less than the amount that would be attributable to completed service, the agency is not obligated to pay the employee any outstanding incentive payments attributable to completed service unless such payment was required under the terms of the retention incentive service agreement.

An explanation of how to determine the amount of retention incentive payments that may be owed to an employee for completed service may be found at 5 CFR 575.311(e).

When No Service Agreement is Required

For retention incentives that are paid in biweekly installments when no service agreement is required, an agency must review each determination to pay the incentive annually to determine whether payment is still warranted and certify this determination in writing. An agency must reduce or terminate the retention incentive whenever conditions change such that the original determination to pay the retention incentive no longer applies, (such as the agency assigns the employee to a different position that is not within the terms of the original determination) or payment at the original level is no longer warranted. In addition, an agency must terminate a retention incentive authorization when no service agreement is required if the employee is demoted or separated for cause or receives a rating of record of less than "Fully Successful" or equivalent. An agency may unilaterally terminate a retention incentive based solely on the management needs of the agency. (See 5 CFR 575.311(f).)

An agency must notify an employee in writing when it terminates a retention service agreement or a retention incentive when no service agreement is required. Termination or reduction of a retention incentive is not grievable or appealable.

Group Retention Incentives (likely to leave the Federal Service)

Description

An agency may pay a retention incentive to a group or category of current employees if the agency determines that the unusually high or unique qualifications of the employees or a special need of the agency for the employees' services makes it essential to retain the employees in the group and that there is a high risk that a significant number of employees in the targeted group would be likely to leave the Federal service in the absence of a retention incentive. A retention incentive may be paid to an employee only when the employee's rating of record under an official performance appraisal or evaluation system is at least "Fully Successful" or equivalent.

Covered Positions

Group-based retention incentives may be paid to eligible individuals who are in General Schedule (GS), law enforcement officer, or prevailing rate positions or other categories for which the payment of retention incentives has been approved by OPM at the request of the head of an employing agency.

Excluded Positions

Retention incentives may not be paid to Presidential appointees or those in positions excepted from the competitive service by reason of their confidential, policy-determining, policy-making, or policy-advocating natures. In addition, an agency may not include in a group retention incentive authorization an employee in a senior-level (SL), scientific or professional (ST), Senior Executive Service (SES), Federal Bureau of Investigation and Drug Enforcement Administration (FBI/DEA) SES, or Executive Schedule (EX) position or in a similar category of positions for which the payment of a retention incentive has been approved by OPM.

Agency Plan

Before paying a retention incentive, an agency must establish a retention incentive plan. The plan must include the designation of officials with authority to review and approve the payment of retention incentives, the categories of employees who may not receive retention incentives, the required documentation for determining that an employee would be likely to leave the Federal service, requirements for determining the amount of a retention incentive, the payment methods that may be authorized, requirements governing service agreements (including criteria for determining the length of a service period, the conditions for terminating a service agreement, the obligations of the agency if a service agreement is terminated, and the conditions for terminating retention incentive payments when no service agreement is required), and documentation and recordkeeping requirements. Unless the head of the agency determines otherwise, an agency retention incentive plan must apply uniformly across the agency.

Approval Criteria

For each retention incentive authorized, an agency must document in writing the basis for determining that the unusually high or unique qualifications of the group of employees or a special need of the agency for the employees' services makes it essential to retain the employees and that that there is a high risk that a significant number of employees in the targeted group would be likely to leave the Federal service in the absence of a retention incentive. An agency may make this determination based on a consideration of the factors listed in 5 CFR 575.306(b). In addition, an agency must document in writing the basis for determining the amount and timing of the incentive payments and the length of the service period. The authorized agency official must review and approve the retention incentive determination before the agency pays the incentive to the employee.

Defining the Group

An agency must narrowly define the targeted group of employees to be paid a group retention incentive using factors that relate to the employees' unusually high or unique qualifications or the special need for the employees' services that makes it essential to retain the employees in the group and their likelihood to leave. Appropriate factors may be occupational series, grade level, distinctive job duties, unique competencies, assignment to a special project, minimum agency service requirements, organization or team designation, geographic location, and required rating of record. (While a rating of record of higher than "Fully Successful" may be a factor used in defining the targeted category, a rating of record by itself is not sufficient to justify a retention incentive.)

Payment

An agency must establish a single retention incentive rate for each group of employees, expressed as a percentage of the employee's rate of basic pay, not to exceed 10 percent. With OPM approval, this cap may be increased to 50 percent (based on a critical agency need). (See 5 CFR 575.309(e).) See the Retention Incentives (likely to leave the Federal service) fact sheet for additional information on payment options and calculations. (Also, explanations of how to compute retention incentive installment payments may be found at 5 CFR 575.309(c) and in the Retention Incentive Payment and Termination Calculations guidance.)

Other Provisions

An agency may pay a group-based retention incentive to any individual in the targeted group if all other conditions and requirements for payment of a retention incentive are met. See Retention Incentives (likely to leave the Federal service) for further information about these conditions and requirements, including conditions related to the service period, service agreement, and the continuation, reduction, or termination of a retention incentive.

- **Severance Pay**
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Description

Severance pay is authorized for employees who are involuntarily separated from federal service and who meet other conditions of eligibility.

Eligibility for Severance pay

To be eligible for severance pay, an employee must be serving under a qualifying appointment, have a regularly scheduled tour of duty, have completed at least 12 months of continuous service, and be removed from Federal service by involuntary separation for reasons other than inefficiency (i.e., unacceptable performance or conduct).

Ineligibility for Severance Pay

An employee is not eligible for severance pay if he or she is serving under a non-qualifying appointment; declines a reasonable offer of assignment to another position; is serving under a qualifying appointment in an agency scheduled to be terminated within 1 year after the date of the appointment; is receiving injury compensation under 5 U.S.C. chapter 81, subchapter I; or is eligible upon separation for an immediate annuity from a Federal civilian retirement system or from the uniformed services. The employing agency must determine whether an employee was provided a *reasonable offer*, as defined in 5 CFR 550.703.

Qualifying Appointments

The following appointments are qualifying appointments for severance pay eligibility:

- A career or career-conditional appointment in the competitive service or the equivalent in the excepted service;
- A career appointment in the Senior Executive Service;
- An excepted appointment without time limitation, except under Schedule C or an equivalent appointment made for similar purposes;
- An overseas limited appointment without time limitation;
- A status quo appointment, including one that becomes indefinite when the employee is promoted, demoted, or reassigned;
- A time-limited appointment in the Foreign Service, when the employee was assigned under a statutory authority that carried entitlement to reemployment in the same agency, but this right of reemployment has expired; and
- A time-limited appointment (or series of time-limited appointments by the same agency without any breaks in service) for full-time employment that takes effect within 3 calendar days after the end of a qualifying appointment.

Non-qualifying Appointments

The following types of appointments are non-qualifying appointments and do not convey eligibility for severance pay:

- An appointment at a non-covered agency (see the definition of *agency* in 5 CFR 550.703);
- An appointment in which the employee has an intermittent work schedule;
- A Presidential appointment;
- An emergency appointment;
- An excepted appointment under Schedule C or an equivalent appointment made for similar purposes;
- A non-career appointment in the Senior Executive Service or an equivalent appointment made for similar purposes; and
- A time-limited appointment (except for a time-limited appointment that is qualifying because it is made effective within 3 calendar days after separation from a qualifying appointment), including-
    - A term appointment;
    - An overseas limited appointment with a time limitation;

- A limited term or limited emergency appointment in the Senior Executive Service, as defined in 5 U.S.C. 3132(a), or an equivalent appointment made for similar purposes;
- A Veterans Readjustment Appointment; and
- A Presidential Management Fellows appointment.

12 Months of Continuous Employment

To be eligible for severance pay, an employee must have completed at least 12 months of continuous service by the date of separation. This continuous service may consist of one or more civilian Federal positions held over a period of 12 months without a single break in service of more than 3 calendar days. The positions held must have been under one or more qualifying appointments; one or more non-qualifying temporary appointments that precede the current qualifying appointment; or an appointment to a position in a non-appropriated fund instrumentality of the Department of Defense or the Coast Guard that precedes the current qualifying appointment in the Department of Defense or the Coast Guard, respectively.

Resignations and Involuntary Separation

If an employee expects to be involuntarily separated and resigns, the employee is considered to have been involuntarily separated if he or she resigns after receiving a specific written notice that he or she will be involuntarily separated by a particular action effective on a particular date; or a general written notice of reduction in force or transfer of functions which:

- Is issued by a properly authorized agency official;
- Announces that the agency has decided to abolish, or transfer to another commuting area, all positions in the competitive area by a particular date (no more than 1 year after the date of the notice); and
- States that, for all employees in that competitive area, a resignation following receipt of the notice constitutes an involuntary separation for severance pay purposes.

However, a resignation is not considered an involuntary separation if the specific or general written notice is canceled before the separation (based on that resignation) takes effect. Resignations under any other circumstances are voluntary separations and do not carry entitlement to severance pay.

Computation of Severance Pay Fund

An employee's severance pay fund may consist of two parts-the basic severance pay allowance and an age adjustment allowance, if applicable.

Basic severance pay allowance

The basic severance pay allowance consists of:

- One week of pay at the rate of basic pay for the position held by the employee at the time of separation for each full year of creditable service through 10 years;
- Two weeks of pay at the rate of basic pay for the position held by the employee at the time of separation for each full year of creditable service beyond 10 years; and
- Twenty-five percent of the otherwise applicable amount for each full 3 months of creditable service beyond the final full year.

The weekly rate of basic pay for employees with variable work schedules is determined based on the weekly average for the last position held by the employee during the 26 biweekly pay periods immediately preceding separation. The regulations at 5 CFR 550.707(b) provide specific instructions on calculating the weekly rate for various types of variable work schedules, including part-time work and seasonal work. For information on how to calculate the approximate amount of severance pay for employees with non-variable work schedules, please see the "Severance Pay Estimation Worksheets."

Age adjustment allowance

The basic severance pay allowance is augmented by an age adjustment allowance consisting of 2.5 percent of the basic severance pay allowance; for each full 3 months of age over 40 years.

Rate of Basic Pay

Rate of basic pay means the rate of pay fixed by law or administrative action for the position held by the employee, including, as applicable, annual premium pay for standby duty, law enforcement availability pay, straight-time pay for regular overtime hours for firefighters, night differential for prevailing rate employees, locality payments, and special rate supplements. *Rate of basic pay* does not include additional pay of any other kind. (See definition of *rate of basic pay* in 5 CFR 550.703.)

Lifetime limitation

An employee may not receive a total of more than 52 weeks of severance pay during his or her lifetime.

Creditable service

The following types of service are creditable for computing an Employee's severance pay:

- Civilian service as an employee, excluding time during a period of non-pay status that is not creditable for annual leave accrual purposes;
- Service performed with the United States Postal Service or the Postal Rate Commission;
- Military service, including active or inactive training with the National Guard, when performed by an employee who returns to civilian service through the exercise of a restoration right provided by law, Executive Order, or regulation;
- Service performed by an employee of a non-appropriated fund instrumentality of the Department of Defense or the Coast Guard, who moves to a position within the civil service employment system of the Department of Defense or the Coast Guard, respectively, without a break in service of more than 3 days; and
- Service performed with the government of the District of Columbia by an individual first employed by that government before October 1, 1987, excluding service as a teacher or librarian of the public schools of the District of Columbia.

Accrual and Payment of Severance Pay

Severance pay accrues on a day-to-day basis following the recipient's separation from Federal employment. Severance payments must be made at the same pay period intervals that salary payments would be made if the recipient were still employed. The amount of the severance payment is computed using the recipient's rate of basic pay in effect immediately before separation. Severance payments are subject to appropriate deductions for income and Social Security taxes. Severance payments are the responsibility of the agency employing the recipient at the time of the involuntary separation that triggered the current entitlement to severance pay. The regulations at 5 CFR 550.709 provide more details on the accrual and payment of severance pay.

Reemployment and Termination or Suspension of Severance Pay

If an individual entitled to severance pay later accepts a position with the Federal Government or the government of the District of Columbia, he or she is no longer eligible for severance pay and severance pay is terminated. The employing agency must then record on the appointment document the number of weeks of severance pay the individual has received. If the employee again becomes entitled to severance pay, the agency from which the employee is involuntarily separated must recompute the severance pay allowance on the basis of all creditable service and the individual's current age. The agency must deduct the number of weeks for which severance pay previously was received from the number of weeks it would take to exhaust the recomputed allowance.

If an individual entitled to severance pay is employed by the Federal Government or the government of the District of Columbia under a non-qualifying time-limited appointment, severance pay is suspended during the life of the appointment, but resumes (without being recomputed) when the employee separates from the non-qualifying time-

limited appointment. The resumed severance payments are the responsibility of the agency that originally separated the individual involuntarily.

Dual Compensation

Basic rule

Unless regularly paid for hours in excess of 40 hours a week under an alternative work schedule or exempt under one of the statutory or regulatory provisions mentioned below, an employee is not entitled to basic pay from more than one position for more than a total of 40 hours in one calendar week.

"Position" means a civilian office, including a temporary, part-time, or intermittent position, whether appointive or elective, in any branch of the government, including a government corporation, armed forces non-appropriated fund instrumentality, or the government of the District of Columbia.

There are no restrictions on the number of appointments (positions) an employee may hold so long as the employee is not paid basic pay for the same hours or for more than 40 hours in the aggregate for the same calendar week.

Pay From More Than One Civilian Position

Statutory exemptions under 5 U.S.C. 5533

The prohibition against dual employment in the paragraph above does not apply to pay derived from the following:

- Pay on a when-actually-employed basis received from more than one consultant or expert position if the pay is not received for the same hours of the same day.
- Pay consisting of fees paid on other than a time basis.
- Pay paid by the Tennessee Valley Authority to an employee performing part-time or intermittent work in addition to his or her normal duties.
- Pay received as a teacher in the schools of the District of Columbia for a position during summer vacation period.
- Pay received for positions which are paid by the Secretary of the Senate or Clerk of the House of Representatives or one of the positions under the Architect of the Capitol. (There are limitations on this exemption.)
- Pay within the purview of 13 U.S.C. 23(b), to employees engaged in the field work of the Bureau of the Census.
- Pay within the purview of 33 U.S.C. 873, to employees in connection with instrument observation or recording, the observation of tides or currents, or the tending of seismographs or magneto graphs.
- Pay within the purview of 15 U.S.C. 327, to employees engaged in taking and transmitting meteorological observations.
- Pay from a Federal civilian position in addition to pay received by a member of the uniformed service while on terminal leave pending honorable release or separation.
- Pay received as an employee of the Postal Service, except as a member of the Board of the Postal Service.

Regulatory exceptions under 5 U.S.C. 5533

The OPM has exempted from the dual pay prohibition:

- Part-time or intermittent employment for which OPM has established special minimum pay rates under 5 U.S.C. 5303.
- Part-time or intermittent employment as a counselor in connection with summer youth opportunity programs in the Washington, D.C. metropolitan area.
- Part-time or intermittent employment as a test monitor for OPM.

Employment of Retired Members of the Uniformed Services

The reduction to military retired or retainer pay for retired officers of a regular component in the uniformed services because of employment by the Federal Government, as well as a capping of the combined civilian pay and military retired or retainer pay at Executive Level V, are no longer applicable. Section 651, Public Law 106-65, October 5, 1999, repealed section 5532 of Title 5, United States Code (U.S.C.) effective October 1, 1999. As a result, neither reductions in military retired or retainer pay, nor the Executive Level V cap (based on Title 5, U.S.C. 5532), apply to periods of civilian employment on or after October 1, 1999.

Employment of Civil Service Annuitants

Unless OPM is asked to waive the reduction in retired pay by the Director for Human Resources Management, a reemployed annuitant's retired pay will either be reduced or terminated when the retiree is reemployed.

Specifically, basic compensation paid a reemployed annuitant who retires under the Civil Service Retirement System (CSRS) will be reduced by the amount of the retiree's annuity for the period of reemployment. (The employee will be fully compensated at the grade of the position but the compensation will be made up of salary or wages and the annuity.) The basic annuity or disability benefits of a reemployed annuitant who retires under the Federal Employees' Retirement System (FERS) will be terminated beginning the date of reemployment. (While reemployed, the FERS annuitant will receive full compensation for the grade of the position from salary or wages.)

The dual compensation law does not prohibit any of the following combinations of simultaneous payments: a civil service annuitant's receiving military retired pay and an annuity; a survivorship annuity and an annuity based on personal service; civilian compensation and an annuity; or compensation for Federal civilian service under a Veterans Administration-sponsored training program while receiving disability benefits or a pension, including vocational training payments.

Reemployment Without Penalty to Meet Temporary Emergency Hiring Needs

If a waiver of the reduction in retired pay is approved by OPM, a military retiree or a civil service annuitant may be reemployed without reduction/termination of retired pay to meet temporary emergency hiring needs or to fill a position for which the agency has had exceptional difficulty in recruiting and retaining a qualified individual. A request to fill a position with a waiver of the penalty must meet requirements outlined at the end of this Section and may only be forwarded to OPM by the Director for Human Resources Management. Appointments will be on hold pending OPM response. Civil service annuitants may not use reemployment for which the reduction in retired pay has been waived as the basis for a supplemental or recomputed annuity and may not participate in the Thrift Savings Plan.

A reemployed military retiree for whom the penalty has been waived is considered an employee for purposes of CSRS or FERS retirement and will be treated like any other employee in these regards.

Employment of Reserves and National Guardsmen

Employment in a civilian position (which is paid for by appropriated funds) of any person on active duty in the armed forces is incompatible with military service, except that a member pending honorable separation from active duty may accept a civilian job and pay and allowances for the unexpired portion of terminal leave.

A Reserve of the armed forces or member of the National Guard may accept a civilian office or position under the Government of the United States and is entitled to receive the pay of that office or position in addition to pay and allowances as a Reserve or member of the National Guard.

The Bureau of the Census is specifically authorized to appoint and compensate enlisted personnel or officers of the uniformed services for the enumeration of personnel of the uniformed services. (See 13 U.S.C. 24(c).)

Compensation Received by an Employee on Military Leave

An employee who is granted military leave or annual leave for the purpose of engaging in military training duty is entitled to the compensation of his or her civilian position and the pay for military training duty for the training period.

Employees are entitled to unlimited military leave for each day or portion thereof for participating in a parade or encampment; however, their civilian pay will be offset by the military pay received for such service.

Employees on military leave for the purpose of providing military aid to enforce the law shall have their civilian pay offset by the military pay received for such service (other than travel, transportation, or per diem).

Members of the Reserve Officers Training Corps, who are called to perform duty prior to appointment as reserve officers by the President, are ineligible for military leave and hence are subject to dual compensation law. (See 35 Comp. Gen. 531.)

An employee who enters on active military or naval duty, by voluntary enlistment or otherwise, without a break in service from a civilian position, may receive, in addition to military pay, the compensation of the civilian position covering accumulated or accrued annual leave.

Compensation for Injury Incurred in the Line of Duty

An employee may not receive any salary in his or her position in the form of leave payments during the period he or she is receiving compensation under Subchapter I, Chapter 81, of Title 5, U.S. Code, in connection with disability resulting from an injury sustained in performance of duty. An employee may, however, use annual and sick leave prior to receipt of compensation payments.

Payment of terminal annual leave in a lump sum does not bar payment of concurrent benefits (including disability compensation) under Subchapter I, Chapter 81, of Title 5, U.S. Code.

If an injured employee following an injury returns to the payroll in Government service at a decreased wage rate because of an injury-related loss of wage earning capacity and is entitled to receive partial disability pay under 5 U.S.C. 8106, he or she is not barred from concurrent payment for annual or sick leave.

Under 5 U.S.C. 8107, an employee who has received an award for total or partial loss, or loss of use, of a member or function of the body may be paid compensation for services actually performed without jeopardizing his or her right to compensation under Subchapter I, Chapter 81, of Title 5, U.S. Code.

Prohibition of Extra Pay for Details and Extra Services

An employee is entitled to the pay and allowances of the position to which appointed. He or she is not entitled to additional pay for services performed while substituting for another employee, or while acting as the designated replacement pending appointment to the position.

An employee or member of a uniformed service whose pay or allowance is fixed by statute or regulation may not receive additional pay or allowances for the disbursement of public money or for any other service or duty unless the law specifically authorizes it and the appropriation specifically states that the additional pay or allowances may be provided.

Reemployment of retirees without penalty

At the request of the Director for Human Resources Management, the Office of Personnel Management may authorize the reemployment of an annuitant or appointment of a retired military with a waiver of the reduction in retired pay required under U.S.C. 8344 and 8468.

Situations in which a waiver may be granted Emergency hiring need

A waiver of the reduction in pay may be granted when appointment of the individual responds to an emergency hiring need, e.g., a military threat, a natural disaster which poses a threat to human life or property, or some other serious unexpected situation. Appointment and waiver in any of these cases will be for the period of the emergency and its immediate aftermath and no longer. Appointment of an individual to "fill behind" a person immediately and directly

involved with the emergency is not a qualifying situation. An appointment solely to meet seasonal work fluctuations will not satisfy the criteria.

Severe recruiting difficulty

A waiver of the retired reduction will be considered when the appointment is to fill a position for which there has been exceptional difficulty in recruiting qualified individuals.

Retention of a specially qualified employee

A waiver will be considered when the need is to retain a specially qualified employee who is critical to a project and who has announced intentions to resign or retire. A request or waiver of the reduction in retired pay in this category will not be considered solely to avoid delays in completing scheduled work.

Requirements of waiver submissions

A request for waiver of penalty for any of the reasons outlined above must address/include the following:

Universal Requirements

- The name of the employee
- The position description for the appointive position
- The appointing authority
- A statement saying the appointee has not been on the rolls in the last 12 months
- A statement indicating that equity and fiscal responsibility have been considered
- Certification of the head of the operating unit

Specific Requirements:

Request to meet emergency hiring needs

A request under this heading must describe the emergency, the begin date, expected duration, and the skills and qualifications the appointee brings to the effort.

Request based on severe recruiting difficulty

A request based on severe recruiting difficulty must be specific with respect to the scope of the recruiting effort; the results of the recruiting effort (offers accepted/declined; quality of applicants); and any other factors affecting the recruitment, e.g., unusual qualifications, working conditions, urgency of the recruitment, etc.

Request based on the retention of a specific individual

A request to retain a specific individual should describe the particular abilities the employee brings to the work; the staffing situation such that another employee cannot do the work; and the importance of the project in terms of the legislative mandates or strategic planning objectives that won't be accomplished without that individual.

Extensions of waivers

When a waiver in the reduction of retired pay is granted, it is effective only for the individual and position for which it is authorized. If the employee is reassigned, or the position changes substantially, the waiver is null and void. When the time period for which the waiver was granted expires, the operating unit must request an extension. The extension must be justified, i.e., it must demonstrate that the reason for the waiver still exists.

Awards

Federal agencies are authorized to grant awards to their employees to recognize and reward good performance. Below are the primary types of awards that are given to federal employees, and the circumstances under which the awards may be made.

Awards for Federal Employees

Regulations provide for four forms of awards that can be given to federal employees: lump-sum cash awards, honorary awards, informal recognition awards, and time off awards.

Restrictions on Amount of Cash Awards

There are certain restrictions on the amount of a cash award that a federal employee can receive. Any cash award over $10,000 must be approved by OPM. For awards over $25,000, the President must approve the amount over $25,000. The Department of Defense and Internal Revenue Service (IRS) only have to obtain OPM approval for awards over $25,000. This does not apply to SES performance and rank awards for SES and SL/ST employees.

Honorary Awards vs. Informal Recognition Awards

Honorary awards are generally symbolic and usually do not involve monetary recognition at all. They are a gesture of respect given to employees to recognize their performance and value to the organization. Many agencies include this traditional form of high-level, formal recognition as part of their overall incentive awards programs. Informal recognition awards, on the other hand, are a type of award that may be given to reward performance that otherwise might not merit an award such as cash, time-off, or an honorary award. Agencies use these awards to provide more frequent and timely informal recognition to employees.

Coverage for Contract Employees

An award program **cannot** cover both regular federal employees and contract employees. Employees of outside contractors may not receive direct payments from the federal government. Their employment, including pay, rewards, and discipline, must be handled by their employer - the contractor - not the federal government. In some situations, federal employees and contract employees work side by side as members of the same overall work teams. In such cases, it might be desirable to use procurement flexibilities to set up a parallel awards program for the contract employees, which the contractor would be required to fund and administer. Under the terms of the contract, the government could make additional payments to the contractor according to performance-related criteria specified in the contract, to provide the funds which the contractor would then distribute to the contract employees. Setting up and operating such a program would have to conform to procurement regulations, limitations, and requirements. Personal services contracts could also be written to allow for performance-contingent payments. The key issue is that such payments to individuals, whether under personal services or non-personal services contracts, would not be made under the awards authorities in title 5, United States Code.

Coverage of both Civilian and Military Employees

An awards program can cover both civilian and military employees, but only to the extent that the program covers awards for suggestions, inventions, or scientific achievements. For those categories of awards, an agency can choose to have a single program in which both civilian and military employees can participate, or even a specific award for which both might be eligible. Otherwise, for all other types of awards authorized by chapter 45 of title 5, United States Code, military employees are excluded.

Granting an Award to a Private Citizen

It may be possible to recognize the contributions of private citizens to the government, but it would not be done under the awards programs authorized by chapter 45 of title 5, United States Code. The awards statute in title 5 only authorizes granting awards to and recognition of federal employees. An agency head may have other general authorizations and access to other funds for the accomplishment of the agency's mission that might be accessible for the recognition of private citizens who have made significant contributions to the completion of the agency's mission or the improvement of the government.

Awards for SES Employees under Subpart A of Part 451 of Title 5, CFR

Agencies can give Senior Executive Service (SES) employees any awards under subpart A of part 451 for which they qualify and are eligible. The specific exception in the regulations at section 451.104(a) (3) of title 5, Code of Federal Regulations, refers to performance awards because there is a separate statutory and regulatory authority for granting performance awards to SES employees.

Suggestion Award Programs

Agencies are not required by law or regulation to set up suggestion award programs. OPM is aware that some agencies have redesigned and streamlined their programs to reward employee ideas and innovations, but agencies should remember that Congress established the suggestion award authority as the foundation of all employee incentive award authorities. The program is rooted in a presumption that government-wide - not just agency-wide - benefits are to be determined and rewarded. Consequently, OPM expects agencies to extend their interdepartmental good will and cooperate when suggestions are referred to them from other agencies for evaluation and possible adoption, even if the receiving agency has curtailed formal procedures for its own employees. Agencies that have retained their existing submission and evaluation systems rightfully expect reasonable consideration of ideas their employees put forward.

Performance Awards

Performance awards are lump-sum cash awards based on ratings of record of Level 3 (Fully Successful or equivalent) or higher. Rating-based performance awards are included among the various types of awards available under part 451 of title 5, Code of Federal Regulations. Agencies can use the rating of record as the sole basis for granting a performance award.

Payment of Performance Awards by Agencies Not Covered by Part 430

Agencies not covered by Part 430 of Title 5, Code of Federal Regulations (CFR) may pay performance awards. The provision at section 451.104(a)(3) of title 5, CFR, regulates the statutory authority to pay performance-based cash awards by specifying the use of a rating of record under the provisions of 5 CFR 430 as the sole justification for such an award. However, since the statutory authority permits any agency to pay a performance-based cash award to a General Schedule employee based on a rating of "Fully Successful" or better, agencies that are not covered by the provisions of 5 CFR 430 can still use their official agency performance rating as the justification for the award.

Cash Performance Awards under "Pass/Fail" Appraisal Program

An agency may provide a cash performance award to an employee who receives a "pass" rating under a "Pass/Fail" appraisal program. A "pass" rating in a two-level appraisal program is a Level 3 (Fully Successful or equivalent) summary level. The law at section 4505a of title 5, United States Code, which covers General Schedule employees, states that "an employee whose most recent performance rating was at the Fully Successful level or higher (or the equivalent thereof) may be paid a cash award." Eliminating the higher summary levels also eliminates the further performance distinctions that many agencies had applied in granting rating-based performance awards. Although not required, it was not uncommon for agencies to restrict the use of rating-based awards to employees with ratings of record above Level 3. Under a two-level appraisal program, agencies need to develop additional criteria for selecting employees who should receive cash performance awards and for granting awards of different amounts.

Technically, agencies will be free to continue to use just a Level 3 rating of record as the legal criterion for granting a cash award. However, OPM advises agencies to make some record of the additional performance distinctions or markers used to select award recipients and thereby prevent perceptions of awards being arbitrary or capricious.

Rating-Based Performance Awards Subject to Approval Thresholds

Rating-based performance awards are subject to the $10,000 and $25,000 approval thresholds. Under sections 4502(a) and (b) of title 5, United States Code, and the implementing regulations, such awards always have been subject to OPM and Presidential approval, respectively. Section 4505a, of title 5, United States Code, further restricts performance awards to no more than 10 percent of the employee's annual rate of basic pay, excluding any locality-based comparability payment, except that a rating-based award may exceed 10 percent if the agency head determines that an employee's exceptional performance justifies such an award. However, in no case may a rating-based award exceed 20 percent of the employee's annual rate of basic pay, excluding locality-based comparability payments.

Granting Performance Awards for Non-Recurring Contributions

Performance awards, as the terminology is used, refer to cash awards granted on the basis of the rating of record, which generally summarizes the employee's performance over an extended period of time, i.e., the full appraisal period. The more important flexibility now in the regulations is that the contribution that may merit a special act or service award is no longer defined as a "non-recurring" contribution. This new flexibility should make it easier for agencies to design award programs that recognize the successful or improved accomplishment of work projects that by their nature can be considered "recurring contributions."

Honorary Awards

An honorary award is a gesture of respect given to an employee to recognize his or her performance and value to the organization. Honorary awards are generally symbolic. Many agencies include as part of their overall incentive awards programs a traditional form of high-level, formal "honor awards." Often, such honor award programs do not use monetary recognition at all, but emphasize providing formal, highly symbolic recognition of significant contributions and publicly recognizing organizational heroes as examples for other employees to follow. They typically involve formal nominations, are granted in limited numbers, and are approved and presented by senior agency officials in formal ceremonies. The items presented, such as engraved plaques or gold medals, may be fairly expensive to obtain. However, they are principally symbolic in nature and should not convey a sense of monetary value. In other, more routine situations, many honorary awards are provided to commemorate the presentation of cash or time-off awards. As mementos, such non-monetary honorary award items may not be particularly expensive; indeed, they may be of only nominal value (e.g., simple certificates in inexpensive frames, lapel pins, paperweights). Nonetheless, all items used as honorary awards must meet specific criteria.

Criteria for Honorary Awards

Because honorary awards represent symbolic formal recognition, items presented as honorary awards must meet <u>all</u> of the following criteria:

- The item must be something that the recipient could reasonably be expected to value, but not something that conveys a sense of monetary value. A basic principle of symbolic awards is that their primary value should be as a form of recognition and not as an object with monetary value. If monetary recognition is intended, the agency should use the explicit authority provided by Congress to grant a cash award. Care also should be taken to consider what the recipient might find attractive, gracious, and complimentary.
- The item must have a lasting trophy value. An honorary award that is intended to have abiding symbolic value loses that value if it does not have a lasting form. Consequently, items must be neither intangible nor transitory, such as food or beverages. Vouchers and tickets to events, while technically tangible themselves, do not meet this criterion because they are intended to be redeemed for something that does not have lasting value.
- The item must clearly symbolize the employer-employee relationship in some fashion. Affixing, imprinting, or engraving an agency seal or logo on an honorary award item is an obvious way to meet this criterion. However, putting a logo on an item that otherwise has no connection to the employee's work (e.g., a child's toy or sporting equipment) would not meet this criterion. In some cases, adding such a seal or logo might not be practical or necessary to meet this criterion (e.g., a plain desk globe might be appropriate for an employee who handles international matters for the agency). Further, an item that meets this criterion in one agency, because of its mission or the employee's job, might not meet it in another agency (e.g., a desk globe would not

be appropriate for an accountant in an agency with no international programs). Consequently, each agency is responsible for determining whether items meet this criterion.

- The item must take an appropriate form to be used in the public sector and to be purchased with public funds. Some items may meet the other criteria, but still not be appropriate. For example, it would not be appropriate to purchase a firearm as an honorary award, even to recognize a law enforcement official. Agency officials must take responsibility for assuring that the authority to "incur necessary expense for honorary recognition" is used in a manner that shows good judgment and preserves the credibility and integrity of the federal government's awards program.

Informal Recognition Awards

Informal recognition awards are a type of award that may be given to recognize performance that, taken alone, does not merit a larger award, such as cash, time-off, or an honorary award. Agencies are finding that they can effectively and efficiently achieve many of the goals of a recognition and incentive award program by providing more frequent, timely, and informal recognition of employee and group contributions. OPM has used its regulatory authority to provide for this form of recognition at section 451.104(a) of title 5, Code of Federal Regulations, as an appropriate agency use of the statutory authority to "incur necessary expense for honorary recognition." Because these informal recognition awards are intended to recognize contributions of lesser scope that might otherwise go unrecognized, they are subject to fairly general criteria.

Criteria for Informal Recognition Awards

Items used effectively and efficiently as informal recognition award items are often extremely casual and low-cost. In addition, informal recognition awards typically have more informal approval procedures and presentation settings than honorary awards. However, it is important to remember that some contribution must still form the basis for using an informal recognition award and be clearly acknowledged as part of any presentation, however informal. Items presented as informal recognition awards must meet the following criteria:

- The item must be of nominal value. The value of the award should be commensurate with the contribution being recognized. These awards recognize contributions that would not ordinarily merit formal recognition. No exact dollar value is set as nominal. Nevertheless, agencies are expected to use good judgment and remember that nominal generally refers to a low monetary value.
- The item must take an appropriate form to be used in the public sector and to be purchased with public funds. Some items may be inexpensive but still not be appropriate. Agency officials are responsible for determining that the items used as informal recognition awards demonstrate good judgment and preserve the credibility and integrity of the federal government's awards program.

Merchandise Items

In some limited circumstances, merchandise items could be used as an honorary award or informal recognition award. Merchandise may be used for awards purposes if and only if the item meets the criteria for an honorary award or an informal recognition award. Agencies need to be aware that the Internal Revenue Service (IRS) considers merchandise to be a taxable fringe benefit that must be taxed on its fair market value. Further questions on taxable fringe benefits should be directed to the IRS.

Gift Certificates

Agencies may present such certificates and vouchers if they are being used as informal recognition awards. Merchant gift certificates should not be confused with cash surrogates (which are vouchers or checks that can be easily and widely redeemable for cash, not merchandise). Gift certificates usually are given when the intent is to give something, but let the recipient make the final choice. Merchandise certificates cannot meet a cash surrogate's criterion of being easily negotiable because of limitations on where, how, and for what they may be redeemed. Gift certificates fail to meet the criteria for honorary awards because they convey a clear monetary value and cannot be characterized as symbolizing the employer-employee relationship. Consequently, the only circumstance where a gift certificate may be used to recognize an employee contribution is as an informal recognition award, which may not exceed nominal value.

Agencies also need to be aware that the IRS considers gift certificates to be taxable fringe benefits that must be taxed on their fair market value. The face value of a gift certificate would be considered its fair market value. Further questions on taxable fringe benefits should be directed to the IRS.

Savings Bonds

OPM has determined that U.S. Savings Bonds have distinctive, positive qualities that make them appropriate recognition items. Despite the fact that U.S. Savings Bonds clearly convey a sense of monetary value, a savings bond must be considered a form of honorary award since it is a federal contract that must be purchased and held for a minimum of 6 months before it can be redeemed. Its "failure" to meet the honorary award criterion regarding a sense of monetary value need not preclude its use. The other criteria are met since its minimum 6-month holding period gives it some lasting value, it certainly can be considered symbolic of the employee-employer relationship for any federal employee, and it is appropriate to the public sector. Consequently, OPM has concluded that a savings bond may be used as an honorary award. When of nominal value, a savings bond also can be used as an informal recognition award since it meets the required criteria. Keep in mind, though, that OPM considers savings bonds to be a special case, and it expects that **all** the criteria for using items as honorary awards and informal recognition awards will be applied in other cases.

Again, the IRS considers savings bonds to be taxable on their fair market value. The cost of a savings bond would be considered its fair market value. Further questions should be directed to the IRS.

Time-Off Awards

Major Features

Time–off awards are a unique form of award agencies can grant Federal employees. (The other forms of awards are cash, honorary items, and informal recognition items). Agencies decide when and how to use time–off awards to enhance their overall awards program and support the achievement of the agency's goals and mission. Major features of time-off awards include the following: `

- Time–off awards do not require additional funding or cash disbursement by agencies. Because the form of the award is time off from duty and it does not have explicit cash value, agencies do not have to provide additional funding or disburse additional cash. However, they do need to remember these are salary dollars being paid for time not worked, so there is a cost involved.
- Agencies cannot convert time–off awards to cash under any circumstances. Agencies need to ensure employees will value, and are able to use, these awards. For example, if an agency grants a time–off award to an employee who plans to leave 2 months later, the agency cannot convert the award to cash, even though the employee might not be able to use the time–off award before leaving the agency.
- OPM does not set Government wide limits on the amount of time off an employee may receive. Agencies must establish their own guidelines and limitations on how much time off is appropriate for various employee contributions. Such guidelines should also contain any timeframes within which employees must use the award, which the agency determines are appropriate.
- Agencies may combine time–off awards with other forms of awards. Agencies may grant time-off awards along with other forms of awards as long as the total value of the awards given is commensurate with the contribution being recognized. For example, an employee might receive an award consisting of both a 1–day time–off award and $50 as recognition for a single contribution as long as the combined "value" of the awards is commensurate with the employee's contribution.
- Time–off awards are among the awards prohibited for certain employees during Presidential election periods. Section 4508 of title 5, United States Code, prohibits non–career Senior Executive Service employees or appointees in confidential or policy determining (Schedule C) positions from receiving certain awards during a Presidential election period. This period is from June 1 of any year in which there is a Presidential election through January 20 of the following calendar year.

Eligibility Criteria

Most Federal employees are eligible for inclusion in a time–off award program. Federal agencies may grant time–off awards to any Federal civilian employee, either as an individual or member of a group, who meets the definition of employee in Section 2105 of title 5, United States Code. This definition includes an individual appointed in the civil service by:

- The President,
- A member of Congress,
- A member of a uniformed service,
- An employee,
- The head of a Government-controlled corporation, or
- An adjutant general designated by the Secretary concerned under section 709c of title 32.

In addition, to meet the definition of employee, the individual must perform a Federal function and be subject to the supervision of an individual cited above while performing official duties. The definition of employee also includes employees who are individuals employed at the U.S. Naval Academy in specific jobs (see 5 U.S.C. 2105 for a more detailed description).

Individuals Not Covered by Title 5 Awards Authority

Individuals who do not meet the definition of employee as defined by 5 U.S.C. 2105 include the following:

- Members of the military services,
- Contractors,
- Volunteers,
- Employees of non-appropriated fund instrumentalities, and
- Employees of the U.S. Postal Service.

These individuals may not receive awards under the authority of chapter 45 of title 5, U.S. Code, unless otherwise authorized and therefore cannot be included in a time–off award program administered under this authority. However, other authorities may allow agencies to grant paid time off to certain categories of employees excluded from 5 U.S.C. 2105. Agencies should consult their human resources offices or General Counsels to find out if they have another authority to grant paid time off to employees who are excluded from the definition of employee in 5 U.S.C. 2105.

Basis for Granting Time–off Awards

Agencies may grant time-off awards for:

- a suggestion, invention, superior accomplishment, productivity gain, or other personal effort that contributes to the efficiency, economy, or other improvement of Government operations or achieving a significant reduction in paperwork; or
- a special act or service in the public interest in connection with or related to official employment.

Uses of Time-off Awards

- Agencies may use time–off awards as incentives or as recognition. Incentives help focus employees on the organization's goals and promise specific rewards to employees who provide specified results that significantly help to achieve those goals. Incentives identify and communicate goals and reward formulas at the beginning of the performance period. Recognition provides after–the–fact acknowledgement to employees for their accomplishments when there was no previous promise of reward. Recognition signals the types of achievements the organization values. Incentives and recognition may involve individual employees, groups, or entire organizations.

Possible Advantages of Using Time–Off Awards

- **Perceived to be More Equitable.** Various employees can receive awards of comparable value. For example, since the "currency" for these awards is time, agencies can award the same number of hours to employees in

different grades for the same, or comparable, achievements, thus eliminating any perceived inequity associated with grade differences.

- **No Additional Taxation.** Time–off awards do not have explicit cash value and do not change the employee's income. As a result, time–off awards are not subject to additional tax withholdings. Agencies deduct tax withholdings from the salary paid during the period the time–off award is used, just as agencies deduct tax withholdings when employees use annual or sick leave or other forms of authorized paid absence.
- **Immediate Reinforcement.** Time–off awards can be one of the award forms most closely linked to the time and place of the accomplishment. Agency policy may permit immediate supervisors to grant them, and in some situations employees might be able to use them immediately.
- **More Perceived Value.** Some employees may value paid time off more than a cash award. For example new employees traditionally have lower annual leave balances and may prefer additional paid time off.

Possible Disadvantages of Using Time–Off Awards

Loss of Productivity

Because agencies do not have to provide additional cash outlay with time–off awards, they may not realize the real cost of these awards often can exceed the cost of paying for cash awards. Although agencies budget for salary expenses, managers may overlook the financial impact of time-off awards. A 40 hour time–off award represents about 2 percent of the employee's total salary (not including benefits) the agency is paying even though the employee is not working. Managers need to take into consideration these hidden costs, especially in terms of productivity lost. Agencies need to ensure they manage the use of time-off awards and take into consideration:

- whether the organization can afford to do without one of its top performers for this period of time
- who will do the work while the time-off award recipients are away from the office, and
- whether the organization as a whole would suffer because too many top performers are not at work if managers across the organization give time–off awards instead of cash awards because awards funds are low.

Employees with "Use or Lose" Annual Leave

Unlike new employees who have not accumulated much leave, employees with "use or lose" leave may not appreciate a time–off award since additional paid time off may not be something they need as much. In addition, the agency would be losing additional valuable hours from a veteran employee when they use both their award and their "use or lose" hours.

External Perception

Agencies should consider the possible public perception of time–off awards. It could appear to the public (and to Congress) that an agency that gives substantial, frequent, or large numbers of time–off awards could be overstaffed since it can complete its mission while these employees are absent. Also, agencies must be careful not to abuse the time–off award authority by granting everyone in an organization a time–off award at the same time whether everyone deserves the recognition or not. For example, giving everyone the day after Thanksgiving off and calling it a time–off award without specifying what is being recognized and how everyone has contributed equally, does not, on its face, appear to be a valid use of the time-off award authority.

Nontransferable

Unlike other forms of pay for time not worked (e.g., annual and sick leave), employees are not entitled to a time–off award. If an employee transfers from one agency to another, the gaining agency is not obligated to "honor" the time–-off award. Therefore, any unused time–off awards are not transferable, unless a special arrangement is made with the receiving agency to honor the time–off award granted by the employee's former agency. Also, the losing agency may not convert the time to cash (5 CFR 451.104(f)) and give cash to the employee for the time not taken.

Monitoring Issues

It may be difficult for agencies to monitor and manage the use of time–off awards supervisors' grant on the spur of the moment. Once the award has been granted and used, supervisors may forget the need to document it. The Code of Federal Regulations requires agencies to document all cash and time-off awards (5 CFR 451.106(e)) in compliance with instructions in the OPM Operating Manual, The Guide to Processing Personnel Actions. This Guide is available from the OPM Web site on the Internet at http://www.opm.gov/policy-data-oversight/data-analysis-documentation/personnel-documentation/#url=Processing-Personnel-Actions.

Special Awards for the Senior Executive Service

Presidential Rank Awards

Each year, the President recognizes and celebrates a small group of career Senior Executives with the President's Rank Award for exceptional long-term accomplishments. Beginning with awards granted in 2003, eligibility for this award is extended to other categories of high-performing senior career employees. Winners of this prestigious award are strong leaders, professionals, and scientists, who achieve results and consistently demonstrate strength, integrity, industry, and a relentless commitment to excellence in public service.

There are two categories of Presidential Rank Awards:

- Distinguished Executives
- Meritorious Executives

Award winners are chosen through a rigorous selection process. They are nominated by their agency heads, evaluated by boards of private citizens, and approved by the President. The evaluation criteria focus on leadership and results.

Distinguished rank recipients receive a lump-sum payment of 35 percent of their base pay. Meritorious rank recipients receive 20 percent of base pay. All recipients receive a framed certificate signed by the President.

The Thrift Savings Plan

As a Federal employee or member of the uniformed services, you have the opportunity to participate in the Thrift Savings Plan (TSP), a retirement savings plan similar to 401(k) plans offered to private sector employees. The purpose of the TSP is to give you the ability to participate in a long-term retirement savings and investment plan.

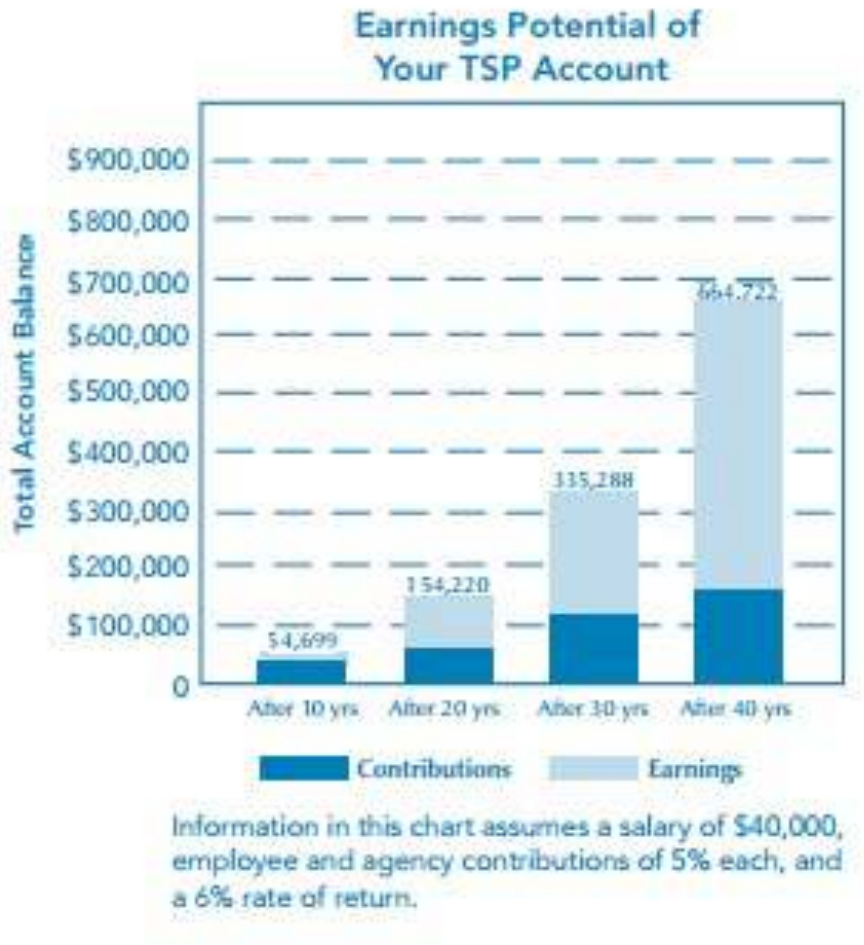
Saving for your retirement through the TSP provides many advantages, including:

- automatic payroll deductions
- a diversified choice of investment options, including professionally designed lifecycle funds
- A choice of tax treatments for your contributions:
  - Traditional (pre-tax) contributions and tax deferred investment earnings and
  - Roth (after-tax) contributions with tax-free earnings at retirement if you satisfy the IRS requirements.
- low administrative and investment expenses agency contributions, if you are an employee covered by the Federal Employees' Retirement System (FERS).
- under certain circumstances, access to your money while you are still employed by the Federal Government.
- a beneficiary participant account established for your spouse in the event of your death a variety of withdrawal options.

If you are covered by FERS, the TSP is one part of a three-part retirement package that also includes your FERS basic annuity and Social Security. If you are covered by the Civil Service Retirement System (CSRS) or are a member of the uniformed services, the TSP is a supplement to your CSRS annuity or military retired pay.

TSP benefits differ depending on your retirement system (FERS, CSRS, or uniformed services). If you aren't sure which retirement system covers you, check with your personnel or benefits office.

Regardless of your retirement system, participating in the TSP can significantly increase your retirement income, but starting early is important. Contributing early gives the money in your account more time to increase in value through the compounding of earnings.



Establishing Your TSP Account

The first contribution to the TSP - your own contribution or your agency's - establishes your account.

If you're a FERS employee hired (or a FERS or CSRS employee rehired) after July 31, 2010, your agency has automatically enrolled you in the TSP, and 3% of your basic pay is deducted from your paycheck every pay period and deposited in your TSP account, unless you made a contribution election to stop or change your contributions. If you're FERS, you also get contributions from your agency, so the total automatic contribution to your TSP account is 7% every pay period.

If you're a FERS employee hired before August 1, 2010 and are not contributing your own money, you still have a TSP account with accruing Agency Automatic (1%) Contributions. If you have not already done so, you should choose to contribute your own money and receive agency matching money. You have to make a contribution election through your agency to start contributing your own money to your account and to receive Agency Matching Contributions. See the next section.

If you're a CSRS employee or a member of the uniformed services, you have to make a TSP contribution election through your agency or service to establish a TSP account. You do not receive agency contributions.

The TSP Contribution Election

TSP contributions are payroll deductions. You have to make a "contribution election" through your agency or service to:

- start your contributions if you were not automatically enrolled;
- increase or decrease your contributions if you were automatically enrolled;
- change the amount of your employee contributions or their tax treatment (traditional or Roth);
- stop your contributions.

First, ask your personnel or benefits office whether your agency or service handles TSP enrollments through paper TSP forms OR electronically through automated systems such as Employee Express, EBIS, myPay, LiteBlue, or the NFC PPS.

Next, tell your personnel or benefits office how much you want to contribute and the tax treatment of your contributions through the agency's or service's electronic system or by way of a TSP-1 form. You can get copies of these forms from the TSP website (www.tsp.gov) or from your agency or service. Return completed forms to your agency or service, not to the TSP. Your agency needs your information to set up your payroll deductions.

Your election should be effective no later than the first full pay period after your agency or service receives it.

New Employee Checklist

1. Consider increasing your contributions to at least 5% to get the full agency match if you're a FERS employee.
2. Look for your TSP account number, Web password, and ThriftLine Personal Identification Number (PIN) in the mail.

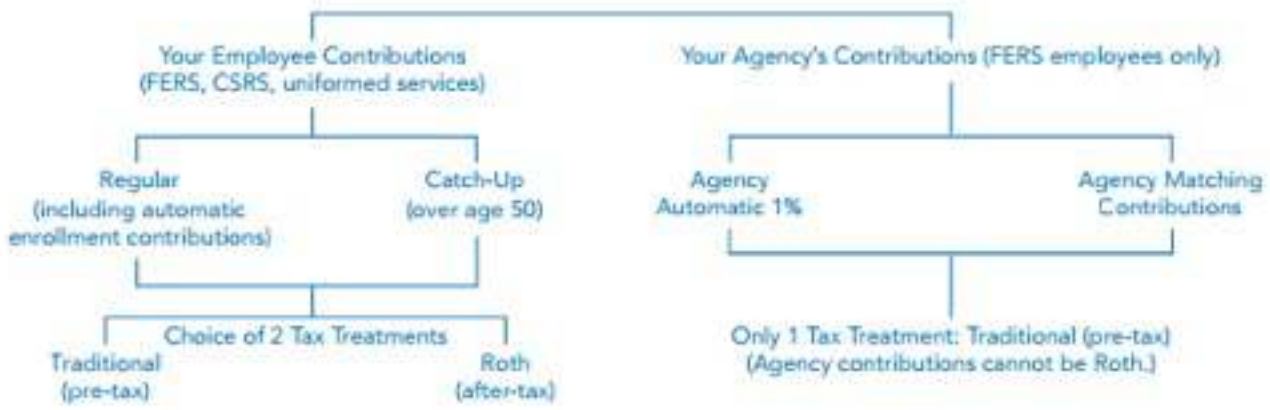
    a. Account number + Web password = Online account access
    b. Account number + PIN = ThriftLine (telephone) account access

3. Decide how you want contributions to your account to be invested, and access your account through the Web or ThriftLine to:

    a. Make a "contribution allocation" to change the investment of future contributions to your account.
    b. Make an "interfund transfer" to change the investment of money already in your account.

4. Think about whether you want to designate beneficiaries to receive your account in the event of your death.

TSP Contributions come from 2 sources:



Employee Contribution – For FERS, CSRS, and Uniformed Services

There are two types of employee contributions:

- Regular
- Catch-Up (for participants 50 and older)

You have to contribute the maximum of regular contributions to be eligible to make catch-up contributions.

You can also choose between two tax treatments for your contributions:

- Traditional (pre-tax)
- Roth (after-tax)

Regular Employee Contributions are payroll deductions that come out of your basic pay before taxes are withheld (traditional contributions) or after taxes have been withheld (Roth contributions). Each pay period, your agency or service will deduct your contribution from your pay in the amount you choose (or the automatic enrollment amount of 3%) and send your contribution to the TSP. Your agency or service will continue to do this until you make a new TSP election to change your contribution or stop it, or until you reach the Internal Revenue Code (IRC) contribution limit. How do you know if the correct amount is coming out of your pay? Check your earnings and leave statement to verify the amount.

Special conditions for uniformed service members: In addition to basic pay, you can also contribute from 1 to 100 percent of any incentive pay, special pay, or bonus pay — as long as you elect to contribute at least 1% from basic pay. Your total contributions from all types of pay must not exceed the applicable IRC contribution limit.

You can elect to contribute from incentive pay, special pay, or bonus pay, even if you are not currently receiving them. These contributions will be deducted when you receive any of these types of pay. If you are receiving tax-exempt pay (i.e., pay that is subject to the combat zone tax exclusion), your contributions from that pay will also be tax-exempt. (Earnings on tax-exempt contributions designated as traditional will be taxed at withdrawal. Earnings on tax-exempt contributions designated as Roth will be tax-free at withdrawal, provided you meet the requirements.

Catch-Up Contributions are payroll deductions that participants who are age 50 or older may be eligible to make in addition to regular employee contributions. Catch-up contributions are voluntary and can be either traditional pre-tax or Roth after-tax. To be eligible to make catch-up contributions, you must already be contributing an amount that will reach the IRC elective deferral limit by the end of the year. In the year you turn 50, you can begin making catch-up contributions at any time. Each pay period, your agency or service will make your contribution to the TSP from your pay in the amount you choose. Your catch-up contributions will stop automatically when you meet the IRC catch-up contribution limit (see page 6) or at the end of the calendar year, whichever comes first. Your catch-up contributions will not continue from year to year; you have to make a new election for each calendar year.

Special conditions for uniformed service members: You can't make catch-up contributions from incentive pay, special pay, or bonus pay. What's more, your traditional catch-up contributions will stop if you are receiving tax-exempt pay in a combat zone. Only Roth catch-up contributions are allowed from tax-exempt pay.

Agency Contributions for FERS Employees

As a FERS employee, you receive Agency Automatic (1%) and Matching Contributions (on your own TSP contributions). These contributions don't increase the dollar amount of your pay for income tax or Social Security purposes, nor do they come out of your pay. They're an important employee benefit—a critical part of the FERS retirement system—and they are deposited into your TSP account by your agency. It's important to understand how these contributions work and to maximize them for a comfortable retirement.

Agency Automatic (1%) Contributions - equal to 1% of your basic pay - are deposited into your FERS employee TSP account every pay period, beginning the first time you're paid. Agency Automatic (1%) Contributions are not taken out of your pay; your agency gives them to you. You don't have to contribute any money to your TSP account to receive these contributions, but they are subject to "vesting."

Vesting means that you are entitled to keep your Agency Automatic (1%) Contributions (and their earnings) after you've completed a time-in-service requirement - 3 years for most FERS employees and 2 years for FERS employees in Congressional and certain non-career positions. All Federal civilian service counts toward vesting - not just service while you are a TSP participant.

The date your vesting period begins is determined by your TSP Service Computation Date (TSP-SCD), which your agency reports to the TSP. Your Service Computation Date is shown along with other vesting information on your quarterly and annual TSP participant statements. The date will never be earlier than January 1, 1984.

If you leave Government service before you satisfy the vesting requirement, your Agency Automatic (1%) contributions and their earnings must be forfeited. However, if you die before separating from service, you are automatically considered vested in all of the money in your account.

Agency Matching Contributions - If you're a FERS participant, you receive Agency Matching Contributions on the first 5% of pay you contribute every pay period. The first 3% is matched dollar-for-dollar by your agency; the next 2% is matched at 50 cents on the dollar. This means that when you contribute 5% of your basic pay, your agency contributes another 4% of your basic pay to your TSP account. Together with the Agency Automatic (1%) Contribution you get, your agency puts in a total of 5%. Keep in mind, though, that if you stop your employee contributions, your Agency Matching Contributions will also stop, but Agency Automatic (1%) Contributions will continue to go into your account. You can contribute more than 5%, but your agency only matches the first 5% you contribute.

CSRS participants do not receive matching contributions.

Currently, members of the uniformed services do not receive matching contributions.

However, the secretary of each individual service is allowed by law to designate particular critical specialties as eligible for matching contributions under certain circumstances.

You put in:	**Your agency puts in**	**Your agency puts in**	**And the total contribution is:**
	Automatic (1%) Contribution	Agency Matching Contribution	
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
More than 5%	1%	4%	Your contribution + 5%

How Much You Can Contribute

The Internal Revenue Code (IRC) places a number of specific limits on the dollar amount of contributions you can make to the TSP. These limits can change annually and are generally referred to as the "IRS limits" because the Internal Revenue Service (IRS) is responsible for calculating them each year. When the annual limits become available, the TSP announces them on the TSP website and the ThriftLine as well as through its various publications.

The IRC elective deferral limit is the maximum amount of employee contributions that can be contributed in a calendar year. The elective deferral limit applies to the combined total of your tax-deferred traditional contributions and Roth contributions. The IRC elective deferral limit for 2014 is $17,500.

For members of the uniformed services, elective deferrals include all traditional and Roth contributions from taxable basic pay, incentive pay, special pay, and bonus pay. However, the elective deferral limit of $17,500 does not apply to traditional contributions made from tax-exempt pay earned in a combat zone. If you are a member of the uniformed services who is contributing to both a uniformed services and a civilian TSP account as a FERS employee, the elective deferral limit applies to the total amount of tax-deferred traditional employee and Roth contributions you make in a calendar year. Elective deferrals do not include Agency (1%) or Agency Matching Contributions.

The IRC section 415(c) limit is an additional limit that the IRC imposes on the total amount of all contributions made on behalf of an employee to an eligible retirement plan in a calendar year. "All contributions" include employee

contributions (tax-deferred, after-tax, and tax-exempt), Agency Automatic (1%) Contributions and Agency Matching Contributions. For 2014, the section 415(c) limit is $52, 000.

Members of the uniformed services should pay particular attention to this section 415(c) limit if they contribute from pay that is subject to the combat zone tax exclusion because section 415(c) allows their contributions to exceed the elective deferral limit.

The IRC catch-up contribution limit is the maximum amount of catch-up contributions that can be contributed in a calendar year by participants age 50 and older. It is separate from both the elective deferral limit imposed on regular employee contributions and the IRC section 415(c) limit imposed on employee contributions (tax-deferred, after-tax, and tax-exempt), Agency Automatic (1%) Contributions and Agency Matching Contributions. For 2014, the limit for catch-up contributions is $5,500 under IRC section 414(v).

A Choice of Tax Treatments

The TSP offers you two tax treatments for your employee contributions when you make a contribution election:

1. Traditional TSP - If you make traditional contributions, you defer paying taxes on your contributions and their earnings until you withdraw them. If you are a uniformed services member making tax-exempt contributions, your contributions will be tax-free; only your earnings will be subject to tax at withdrawal.
2. Roth TSP - If you make Roth contributions, you pay taxes on your contributions as you are making them (unless you are making tax-exempt contributions from combat pay) and get your earnings tax-free at withdrawal, as long as you meet the requirements to qualify.

Traditional TSP and Roth TSP

The Thrift Savings Plan began accepting Roth TSP employee contributions in May 2012. All employee contributions made before May 2012 are considered traditional contributions. When a participant is automatically enrolled in the TSP, he or she begins by making traditional contributions. If you want to make Roth contributions, you have to submit a contribution election to tell your agency what portion of your contributions you want designated as Roth.

Compare the Effects of Traditional and Roth Contributions

The Treatment of…	**Traditional**	**Roth**
Contributions	**Pre-tax**	**After-tax**
Your Paycheck	Taxes are deferred,* so less money is taken out of your paycheck	Taxes are paid up front,* so more money comes out of your paycheck
Transfers In	Transfers allowed from eligible employer plans and traditional IRA's	Transfers allowed from Roth 401 (k)s, Roth 403(b)'s, and Roth 457(b)s
Transfers Out	Transfers allowed to eligible employer plans, traditional IRA's, and Roth IRA's	Transfers allowed from Roth 401 (k)s, Roth 403(b)s, Roth 457(b)s and Roth IRA's
Withdrawals	Taxable when withdrawn	Tax-free earnings if 5 years have passed since January 1 of the year you made your first Roth contribution, AND you are age 59 1/2 or older, permanently disabled, or deceased

*If you are a member of the uniformed services receiving tax-exempt pay (i.e. pay that is subject to the combat zone tax exclusion), your contributions from that pay will also be tax-exempt.

Traditional (pre-tax) contributions are taken out of your paycheck before your income is taxed. This lowers your current taxable income and gives you a tax break today. If you are a FERS employee, your agency's contributions also go into your traditional balance. This money grows in your account tax-deferred, but when you withdraw your money, you pay taxes on both the contributions and their earnings.

Roth (after-tax) contributions are taken out of your paycheck after your income is taxed. When you withdraw funds from your Roth balance, you will receive your Roth contributions tax-free, since you already paid taxes on these contributions. In addition, you will not have to pay taxes on the earnings, as long as 5 years have passed since January 1 of the calendar year when you made your first Roth TSP contribution (known as the 5-year rule) AND you are at least age 59 ½, permanently disabled (or deceased). If you satisfy these Internal Revenue Code (IRC) requirements, your earnings will be considered "qualified," and you will not pay any taxes on them at withdrawal.

Note: The TSP cannot certify to the IRS that you meet the IRC's definition of disability when your taxes are reported. You must provide the justification to the IRS when you file your taxes.

Tax-exempt contributions are contributions uniformed service members may make while earning tax-exempt pay in a combat zone. If your tax-exempt contributions are designated as traditional contributions, you will pay no tax on the contributions, but your earnings will be taxed when withdrawn. If your contributions are designated as Roth, you will pay no taxes on your contributions, and their earnings will also be tax-free when withdrawn, as long as you meet the IRC requirements.

In the following sections, you will be able to compare the effects of traditional and Roth contributions on annual take-home pay and on account balance at withdrawal.

Traditional Contributions vs. Roth Contributions: An Example of the Effect on Your Current Income

When you make traditional pre-tax contributions, you get two immediate tax advantages: Your actual TSP contribution is not taxed (it's tax-deferred until you withdraw) AND the money you contribute is taken out of your pay before Federal (and in most cases state) income taxes are calculated. As a result, the amount of pay used to calculate your taxes is reduced, so less money is withheld from your pay for taxes.

When you make Roth contributions, assuming you contribute the same percentage or amount of your pay to the TSP as you contribute in traditional contributions, more money will come out of your annual take-home pay.

Example:

Traditional TSP Savings	
Annual pay (gross)	$40,000
Minus TSP contributions (5% of $40,000)	-2,000
Net taxable income	$38,000
Minus estimated Federal income tax	-3,846
Net spendable income	$34,154
Roth TSP Savings	
Annual pay (gross)	$40,000
Minus TSP contributions (5% of $40,000)	-4,154
Net taxable income	$35,846
Minus estimated Federal income tax	-2,000
Net spendable income	$33,846

Note: Based on a participant filing singly; with one personal exemption and standard deductions.

The difference: If you made traditional pre-tax contributions, you would have $308 more in your pocket in the current year than if you made Roth contributions.

Traditional Contributions vs. Roth Contributions: An Example of the Effect on Your Long-Term Savings

Choosing between traditional and Roth contributions comes down to whether you would be better off paying taxes on your contributions now or later; in other words, your marginal tax rate now versus your rate at retirement. Your personal situation will determine whether it is better to have the tax savings of traditional contributions now or the tax-free earnings of Roth contributions later.

To demonstrate this tax principle, suppose in one year you could afford to give up $4,000 of your income for retirement savings in the TSP, and you are in the 25% tax bracket. You could put $4,000 (traditional pre-tax), or $3,000 (Roth after-tax) into your TSP account. (The $4,000 that comes out of your paycheck to make Roth contributions = $3,000 in contributions + $1,000 in Federal income taxes.) The chart below compares the value after 10 years (at 6% annual rate of return) of this one year $4,000 paycheck deduction after taxes, taking into consideration a lesser, equal, or greater marginal tax rate at retirement.

		Traditional Pre-Tax	**Roth After-Tax**
Pre-tax vs. After-tax contributions	25% tax rate	$4,000	$3,000
After-tax value if withdrawn in 10 years:	15% tax rate 25% tax rate 28% tax rate	$6,089 $5,373 $5,158	$5,373 $5,373 $5,373

Generally, traditional contributions are to your advantage if your tax rate will be lower in retirement. Roth contributions are to your advantage if your tax rate will be higher in retirement. If your income tax rate is the same in retirement as when you made the contributions, you'll end up with the same amount in your account whether you make Roth or traditional contributions.

The Contribution Decision Wizard on the TSP website allows you to input information about your own situation and compare the effects of making traditional and Roth contributions on your long-term savings (as well as your paycheck). Visit the Contribution Decision Wizard to see whether making Roth contributions could be to your advantage. You should also consult a qualified tax advisor or financial advisor. Remember to reassess your decision any time your tax, income, or personal situation changes.

Tax Liability

When you withdraw your money from the TSP, you will owe taxes on any traditional contributions (except contributions made from tax-exempt pay), and the earnings they have accrued. You can continue to defer these taxes by transferring or rolling over your TSP withdrawal payment to a traditional individual retirement account (IRA) or an eligible employer plan. You can also transfer or roll over your traditional funds to a Roth IRA, but you will have to pay taxes on the full amount in the year of the transfer.

If you have Roth contributions in your account, you have already paid taxes on them. You will not owe any further taxes on your Roth contributions, and you will not owe taxes on their earnings if your withdrawal payment is a "qualified distribution." In other words, if 5 years have passed since January 1 of the calendar year when you made your first Roth contribution and you have reached age 59 ½, or have a permanent disability, the entire Roth portion of your account will be paid out tax-free. If your earnings are not qualified, you can defer paying taxes on them by transferring your payment to a Roth IRA or Roth account maintained by an eligible employer plan.

Retirement age and the penalty tax

If you receive a TSP withdrawal payment before you reach age 59½, you may have to pay a 10% early withdrawal penalty tax on any taxable part of the distribution not transferred or rolled over. This penalty tax is in addition to the regular income tax you owe, but there are exceptions. In general, if you leave Federal service in the year you turn age 55 or older, the 10% penalty tax does not apply to any withdrawal you make that year or later.

In addition, disability retirement approved by the Office of Personnel Management may not exempt you from the early withdrawal penalty tax. The IRS requirement is more stringent, and you will have to substantiate your claim of exemption with the IRS. There are other exceptions to the early withdrawal penalty tax. See the tax notice "Important Tax Information about Payments from Your TSP Account", which is available from the TSP website, your agency or service, or the TSP. The tax rules that apply to distributions from the TSP are complex, and you may also want to consult with a tax advisor or the IRS before you make any withdrawal decisions.

Retirement Savings Contributions Credit

You may be able to take a tax credit of up to $1,000 (up to $2,000 if filing jointly) for your TSP contributions. Eligibility depends on the amount of your modified adjusted gross income (AGI). For tax year 2014, your AGI must be no more than $60,000 if married filing jointly, $45,000 if head of household, or $30,000 if single, married filing separately, or qualifying widow(er). (These amounts are adjusted each year for inflation. For more information, see your tax advisor or refer to IRS Form 8880.)

Moving Money from other Plans into the TSP

The TSP will accept into the traditional balance of your TSP account:

- both transfers and rollovers of tax-deferred money from traditional individual retirement accounts (IRAs), SIMPLE IRAs, and eligible employer plans.

The TSP will accept into the Roth balance of your TSP account:

- transfers of qualified and nonqualified Roth distributions from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s.

If you don't already have a Roth balance in your TSP account, the transfer will create one.

The TSP will not accept into your Roth balance:

- rollovers of Roth distributions that have already been paid to you, and
- transfers or rollovers from Roth IRAs.

There are two ways to move money into your TSP account:

1. Transfer money directly to the TSP. You can have your IRA or plan send all or part of the money directly to the TSP. This is called a "transfer" or "direct rollover." Use Form TSP-60, Request for a Transfer Into the TSP, for tax-deferred amounts you want to transfer, and Form TSP-60-R for the transfer of Roth money. These forms are available from the TSP website or from your agency or service.
2. Roll over non-Roth money into the TSP. You receive the money from your IRA or plan and put it into the TSP yourself using Form TSP-60. This is called a "rollover." If you decide to do a rollover, you will have 60 days to complete it, beginning on the date you receive the funds. You can roll over all or part of the money you receive. Your IRA or former plan will withhold the appropriate amount for taxes before it sends you the money. Keep in mind, then, that if you want to roll over the entire amount of the distribution, you will have to add in from your own funds the amount that was withheld for taxes. Any amount you don't roll over will be subject to Federal income tax. (The TSP will not accept rollovers of Roth money.)

Your transfer or rollover will be invested in the TSP according to your latest contribution allocation. The money you move into the TSP does not count toward the IRC contribution limits.

Conditions for the transfer

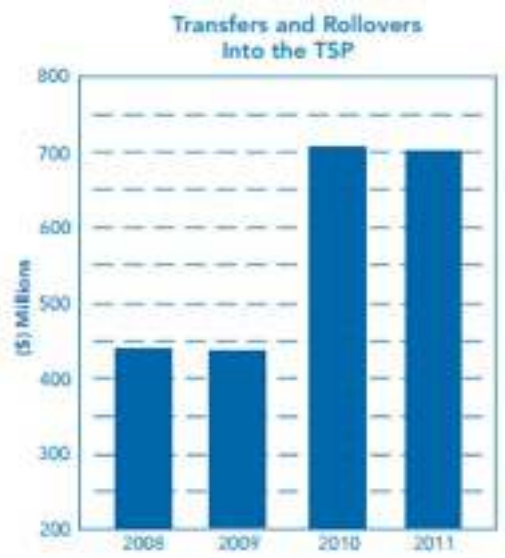
The TSP will accept a transfer or rollover under the following conditions:

- The money must be considered an "eligible rollover distribution" for Federal income tax purposes. (Verify this by checking with your tax advisor or the administrator of the IRA or plan from which you are moving the money.)
- You can transfer money into the TSP only if you have an existing TSP account.
- You cannot open a TSP account by transferring money into it. However, if you have an open TSP account, you can start a Roth balance with a transfer of Roth money, even if you have not elected Roth contributions.

Why transfer your money into the TSP?

Transferring money into your TSP account allows you to consolidate your retirement savings in one place. This makes it easier to evaluate whether you are on target to reach your retirement savings goals, and to make sure the right asset

allocation to meet these goals is applied to all your savings. Also, because of the TSP's now legendary low costs, your savings can grow faster. This is why record numbers of TSP participants have been moving money into the TSP over the years, as the following chart shows.



Investing in the TSP

The TSP offers you two approaches to investing your money:

- The L Funds - These are "Lifecycle" funds that are invested according to a professionally designed mix of stocks, bonds, and Government securities. You select your L Fund based on your "time horizon," the future date at which you plan to start withdrawing your money. Depending upon your plans, this may be as soon as you leave or further in the future.
- Individual Funds - You make your own decisions about your investment mix by choosing from any or all of the individual TSP investment funds (G, F, C, S, and I Funds). These investment options are designed so you can choose either the L Fund that is appropriate for your time horizon, or a combination of the individual TSP funds that will support your personal investment strategy. However, you may invest in any fund or combination of funds. Because the L Funds are already made up of the five individual funds, you will duplicate your investments if you invest simultaneously in an L Fund and the individual TSP funds.

The L Funds

The L Funds are designed for participants who may not have the time, experience, or interest to manage their TSP retirement savings.

The five L Funds are:

L 2050 — For participants who will need their money in the year 2045 or later.
L 2040 — For participants who will need their money between 2035 and 2044.
L 2030 — For participants who will need their money between 2025 and 2034.
L 2020 — For participants who will need their money between 2015 and 2024.
L Income — For participants who are already withdrawing their accounts in monthly payments, or who plan to need their money between now and 2014.

For the most up-to-date L Fund asset allocations, visit the TSP website (https://www.tsp.gov/index.shtml), Investment Funds section, and choose Fund Options.

The assumption underlying the L Funds is that participants with longer investment time horizons re able to tolerate more risk while seeking higher returns. The funds automatically adjust to reflect a reduced ability to sustain risk as the investment time horizon approaches.

Each L Fund invests in a mix of the five individual TSP funds. The mix is chosen by experts based on each fund's time horizon. The L Funds' asset allocations are designed to achieve the highest expected rate of return for the amount of risk taken. If the time horizon is a long time from now, the L Fund will be more exposed to risky assets, such as stocks in the C, S, and I Funds. As time horizons shorten, allocations gradually shift toward less volatile Government securities (G Fund).

The L Income Fund is designed to preserve your account balance while protecting against inflation.

Each L Fund is rebalanced each business day to restore the fund to its intended investment mix. Each quarter, the funds' asset allocations are adjusted to slightly more conservative investments. When an L Fund reaches its designated time horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon.

Investing in the L Funds does not eliminate risk, and the funds are not guaranteed against loss. The L Funds are subject to the risks inherent in the underlying funds and can have periods of gain and loss.

The Individual Funds

The TSP has five individual investment funds:

The Government Securities Investment (G) Fund - The G Fund is invested in short-term U.S. Treasury securities. It gives you the opportunity to earn rates of interest similar to those of long-term Government securities with no risk of loss of principal. Payment of principal and interest is guaranteed by the U.S. Government. The interest paid by the G Fund securities is calculated monthly based on the market yields of all U.S. Treasury securities with more than 4 years to maturity.

The Fixed Income Index Investment (F) Fund - The F Fund is invested in a bond index fund that tracks the Barclays Capital U.S. Aggregate Bond Index.* This is a broad index representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market. This fund offers you the opportunity to earn rates of return that exceed money market fund rates over the long term (particularly during periods of declining interest rates).

The Common Stock Index Investment (C) Fund - The C Fund is invested in a stock index fund that tracks the Standard & Poor's 500 (S&P 500) Stock Index. This is a market index made up of the stocks of 500 large to medium-sized U.S. companies. It offers you the potential to earn the higher investment returns associated with equity investments.

The Small Capitalization Stock Index (S) Fund - The S Fund is invested in a stock index fund that tracks the Dow Jones U.S. Completion Total Stock Market (TSM) Index. This is a market index of small and medium-sized U.S. companies that are not included in the S&P 500 index. It offers you the opportunity to earn potentially higher investment returns that are associated with "small cap" investments, but with greater volatility.

International Stock Index Investment (I) Fund - The I Fund is invested in a stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index. This is a broad international market index, made up of primarily large companies in 22 developed countries. It gives you the opportunity to invest in international stock markets and to gain a global equity exposure in your portfolio.

Because the TSP funds are trust funds that are regulated by the Office of the Comptroller of the Currency and not by the Securities and Exchange Commission (SEC), they do not have ticker symbols (i.e., unique identifiers assigned to securities (including mutual funds) registered with the SEC). You can, however, obtain additional information about the underlying indexes that certain TSP funds track by visiting the following websites:

TSP Fund	Index TSP Fund Tracks

F Fund	Barclays Capital U.S. Aggregate Bond Index* (www.barcap.com)
C Fund	Standard & Poor's 500 Stock Index (www.standardandpoors.com)
S Fund	Dow Jones U.S. Completion Total Stock Market (TSM) Index (www.djindexes.com)
I Fund	Morgan Stanley Capital International EAFE Stock Index (www.msci.com)
*** Formerly Lehman Brothers U.S. Aggregate (LBA) Index**	

TSP Fund Comparison Matrix

	G Fund	**F Fund***	**C Fund***	**S Fund***	**I Fund***	**L Funds****
Description of Investments	Government securities (specially issued to the TSP	Government, corporate, and mortgage-backed bonds	Stocks of large and medium-sized U.S. companies	Stocks of small to medium-sized U.S. companies (not included in the C Fund)	International stocks of 22 developed countries	Invested in the G, F, C, S, and I Funds
Objective of Fund	Interest income without risk of loss of principal	To match the performance of the Barclays Capital U.S. Aggregate Bond Index	To match the performance of the Standard & Poor's 500 (S&P 500) Index	To match the performance of the Dow Jones U.S. Completion TSM Index	To match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index	To provide professionally diversified portfolios based on various time horizons, using the G, F, C, S, and I Funds
Risk	Inflation risk	Market risk, Credit risk, Prepayment risk, Inflation risk	Market risk, Inflation risk	Market risk, Inflation risk	Market risk, Currency risk, Inflation risk	Exposed to all of the types of risk to which the individual TSP funds are exposed - but total risk is reduced through diversification among the five individual funds
Volatility	Low	Low to moderate	Moderate	Moderate to high — historically more volatile than C Fund	Moderate to high — historically more volatile than C Fund	Asset allocation shifts as time horizon approaches to reduce volatility
Types of Earnings***	Interest	Change in market prices Interest	Change in market prices Dividends	Change in market prices Dividends	Change in market prices Change in relative value of currency Dividends	Composite of earnings in the underlying funds
2012 Administrative Expenses****	0.027%	0.027%	0.027%	0.027%	0.027%	0.027%
Inception Date	**04/01/87**	**01/29/88**	**01/29/88**	**05/01/01**	**05/01/01**	**08/01/05**

* The F, C, S, and I Funds also have earnings from securities lending income and from temporary investments in G Fund securities. These amounts represent a very small portion of total earnings.

** Each of the L Funds is invested in the individual TSP funds (G, F, C, S, and I). The proportion of your L Fund balance invested in each of the individual TSP funds depends on the L Fund you choose.

*** Income from interest and dividends is included in the share price calculation. It is not paid directly to participants' accounts.

**** Expenses are offset by the forfeitures of Agency Automatic (1%) contributions of FERS employees who leave Federal Service before they are vested, other forfeitures, and loan fees.

Contribution Allocations and Interfund Transfers

There are two types of investment transactions you can make:

- Contribution allocation
- Interfund transfer

Contribution allocations

A contribution allocation specifies how you want to invest new money going into your TSP account.

Your contribution allocation will apply to all future deposits to your account. These include: employee contributions; agency contributions (if you are FERS); any special pay, incentive pay, or bonus pay that you contribute as a member of the uniformed services; any money you move into the TSP from other retirement plans; and any TSP loan payments. Your contribution allocation will not affect money that is already in your account.

Your contribution allocation will remain in effect until you submit a new one.

Interfund transfers

An interfund transfer moves the money already in your account among the TSP investment funds. When you make an interfund transfer, you choose the new percentage you want invested in each fund. You cannot move specific dollar amounts among the funds.

Also, you cannot move specific types of money among the funds. For example, if you have traditional (including tax-exempt) and Roth balances in your account, your interfund transfer will move a proportional amount from each type of money into the funds that you have specified.

Interfund transfers are not unlimited. Each calendar month, your first two interfund transfers may be used to redistribute money in your account among any or all of the TSP funds. After the first two, your interfund transfers can only move money into the Government Securities Investment (G) Fund (in which case, you will increase the percentage of your account held in the G Fund by reducing the percentage held in one or more of the other TSP funds). If you have both a civilian and a uniformed services account, these rules apply to each account separately.

Making a contribution allocation or interfund transfer

There are several ways that you can make or change your contribution allocation.

Online

Visit: My Account: Contribution Allocations. You will need your account number (or user ID) and your 8-digit password.

Telephone

Call the ThriftLine. You will need your TSP account number and your 4-digit Personal Identification Number (PIN).

Administrative Expenses

TSP expenses (i.e., the cost of administering the program) include management fees for each investment fund and the costs of operating and maintaining the TSP's record keeping system, providing participant services, and printing and mailing notices, statements, and publications.

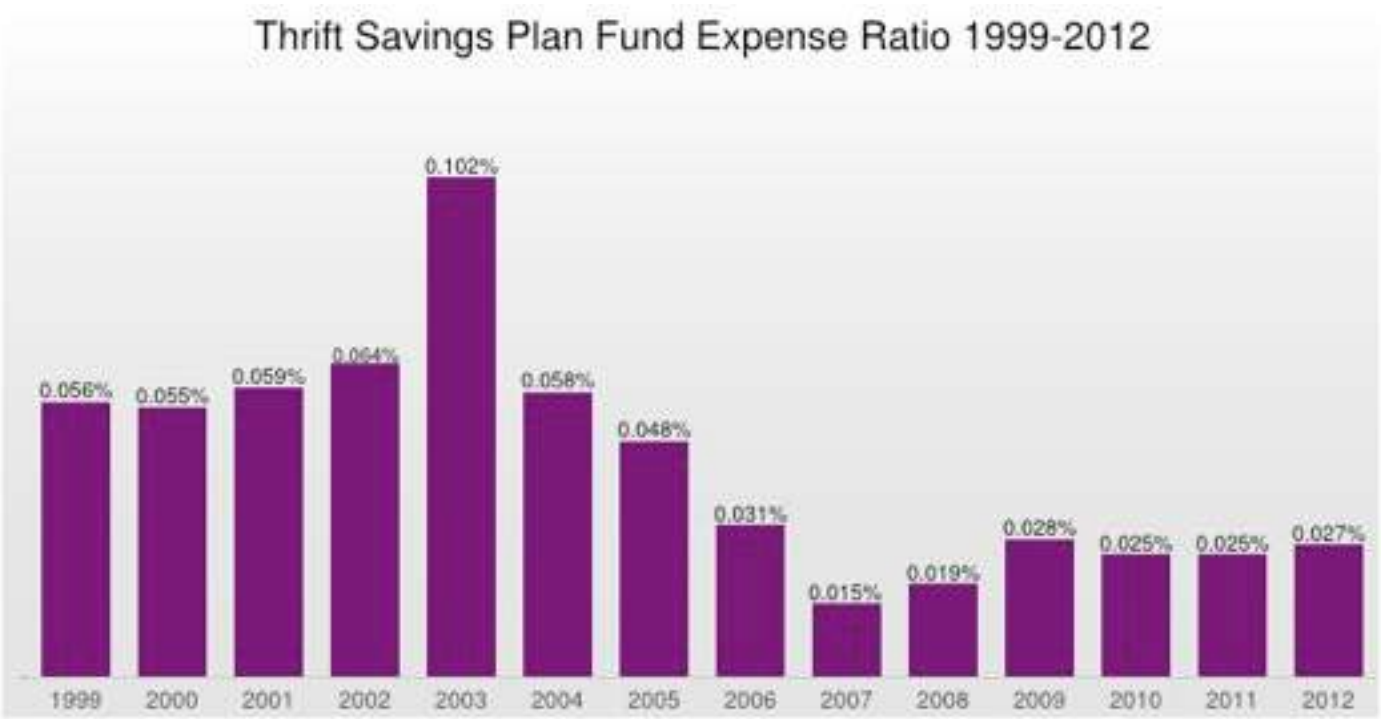
TSP expenses are lower than the industry average. These expenses are paid primarily from the forfeitures of Agency Automatic (1%) Contributions of FERS employees who leave Federal service before they are vested, other forfeitures, loan fees, and—because those forfeitures and fees are not sufficient to cover all of the TSP's expenses—earnings on participants' accounts.

The effect of administrative expenses (after forfeitures) on the earnings of the G, F, C, S, and I Funds is expressed below as an expense ratio for each fund. The expense ratio for a fund is comprised of the total administrative expenses charged to that fund during a specific period, divided by that fund's average balance for that period.

Since the L Funds do not have any unique administrative expenses, the L Funds do not have any additional charges. Therefore, the L Fund administrative expense ratios are weighted averages of the expense ratios of the G, F, C, S, and I Funds.

Your share of TSP net administrative expenses is based on the size of your account balance. For example, the G Fund's expense ratio for 2009 was .028%. Therefore, if you invested in the G Fund in 2011, earnings were reduced by 28¢ per $1,000 of your G Fund balance.

The chart below shows the expense ratios for each TSP fund since 1999:



TSP Loans, Withdrawals, and Refunds

Because the purpose of the TSP is for you to save money for your retirement, there are rules that restrict when and how you may take money out of your account while you are still employed.

Once you leave Federal service, however, you can take your money out at any time. However, the IRS may impose an early withdrawal penalty tax on the disbursement, depending on your employment status, when you take the disbursement, and how you receive the funds.

There are many ways to get your money out of the TSP:

- Court order
- A loan
- An in-service withdrawal (i.e., a withdrawal while you are still employed by the Federal Government)
    - Financial hardship
    - Age based
- A post-separation withdrawal (i.e., a withdrawal after you separate from service)

Any loan or withdrawal you take from your account will be paid proportionally from your traditional and Roth balances, and from each TSP fund in which you have investments. (The same is true for tax-exempt contributions in your traditional and Roth balances if you are a member of the uniformed services.) For example, you cannot request a loan or withdrawal from only the taxable portion of your traditional balance that is invested in the G Fund. If you have both traditional and Roth balances and you are invested in five TSP funds, both balances and all your fund investments will be impacted by your loan or withdrawal.

When you take a loan, you are borrowing your own contributions and the earnings on those contributions. When your loan is approved, the amount of the loan is removed from your TSP account. As you repay your loan, your loan repayments restore the amount of your loan, plus the interest you pay to your account.

Rules for Borrowing

- You have at least $1,000 of your own contributions and associated earnings in your account. Agency contributions (and earnings on that money) cannot be borrowed.
- You are currently employed as a Federal civilian employee or member of the uniformed services. (Separated or retired participants and beneficiary participants are not eligible.)
- You are in pay status. (Loan payments are deducted from your pay.)
- You have not repaid a TSP loan (of the same type) in full within the past 60 days.
- You have not had a taxable distribution on a loan within the past 12 months, unless the taxable distribution resulted from your separation from Federal service.

You can borrow from your TSP account even if you have stopped contributing your own money.

- If you have both a civilian account and a uniformed services account, the eligibility requirements apply to the account from which you intend to borrow.

Cost of taking a loan

You repay your loan with interest. The interest rate is the interest rate for the G Fund at the time your loan application is processed.

The TSP also charges a processing fee of $50 for each loan. This fee is used to cover the cost of processing and servicing your loan. It is deducted from the amount of the loan that you receive.

Before you take a loan, consider that your loan costs are not limited to the interest and fee that you pay. The cost of a loan can be much more far-reaching.

When you borrow from your account, you miss out on the earnings that might have accrued on the money you borrowed. Even though you must pay the money back to your account with interest, the interest you pay to your account may be less than what you might have earned if you had kept the money in the TSP. Further, if you have an outstanding loan when you leave Federal service, you must pay it back within 90 days or the outstanding balance will be treated as taxable income.

Types of loans

There are two types of TSP loans:

- A general purpose loan with a repayment period of 1 to 15 years. Documentation is required.
- A residential loan with a repayment of 1 to 15 years. Documentation is required.

A residential loan can be used only for the purchase or construction of a primary residence. The residence can be a house, condominium, shares in a cooperative housing corporation, a townhouse, boat, mobile home, or recreational vehicle, but it must be used as your primary residence. The residence must be purchased (in whole or in part) by you. You can obtain a residential loan for constructing a new residence or purchasing an existing residence, but not for refinancing or prepaying an existing mortgage, for renovations or repairs, for buying out another person's share in your current residence, or for the purchase of land only.

You can have only one general purpose and one residential loan outstanding at a time.

Loan amount

The smallest amount you can borrow is $1,000 of your own contribution and earnings.
The maximum loan amount you can borrow is the smallest of the following:

1. Your own contributions and earnings on those contributions in the TSP account from which you intend to borrow (civilian or uniformed services), not including any outstanding loan balance (the Contributions and Earnings Test);
2. 50% of your total vested account balance (including any outstanding loan balance) or $10,000, whichever is greater, minus any outstanding loan balance (the Internal Revenue Service (IRS) Vested Balance Test); or
3. $50,000 minus your highest outstanding loan balance, if any, during the last 12 months (the IRS $50,000 Test). **Even if the loan is currently paid in full, it will still be considered in the calculation if it was open at any time during the last 12 months.** For example, if you took out a loan for $35,000, then paid the loan back in full within 12 months, the maximum loan amount you would be eligible to borrow would remain $15,000 ($50,000 minus $35,000, the highest outstand balance during the last 12 months) even though the money has been returned to your account. **Note**: the above example is based on the assumption that the IRS $50,000 Test is the lower of the three maximum loan amount tests.

If you have both a civilian account and a uniformed services account, the combined account balances and outstanding loan amounts will be used to calculate the maximum loan amount for Items 2 and 3.

Your account balance is recalculated at the end of each business day based on that day's closing share prices and any transactions processed for your account that night. Therefore, your maximum loan amount may also change each day. To see the maximum loan amount you are eligible to borrow, log into My Account on the TSP website, and click on "TSP Loans" on the left-hand menu. The maximum loan amount you can borrow will be displayed in the center of the page.

When you borrow from you TSP account, the loan is disbursed proportionally from any traditional (non-Roth) and Roth balances in your account. Similarly, if you are a uniformed services employee with tax-exempt contributions in your traditional balance, your loan will contain a proportional amount of tax-exempt contributions as well. If your TSP account is invested in more than one fund, your loan is deducted proportionally from the employee contributions (and earning on those contributions) that you have in each fund. Your total account balance is decreased by the amount of your loan.

When you repay your loan, you payments (including interest) are deposited back into the traditional (non-Roth) and Roth balances of your account in the same proportion used for your loan disbursement. The repayment amount is invested in your TSP account according to your most recent contribution allocation.

The loan interest rate you pay for the life of the loan will be the G Fund's interest rate that is in effect on the date that your Loan Agreement is generated.

You must be in pay status to get a TSP loan because loan payments are submitted through payroll deductions. Therefore, if you are not currently receiving pay (i.e., you are in nonpay status), you will not be eligible for a TSP loan.

- For civilian TSP participants, nonpay status includes leave without pay and furlough.
- Most uniformed services members will never be in nonpay status. However, if you are a member of the Ready Reserve and you have been approved by your command for non-attendance of scheduled drill dates or you have been approved by your command to perform your yearly drill schedule over a one- or two-month period, you are considered, for TSP purposes, to be in nonpay status during the months you do not drill. When you return to pay status, you may apply for a TSP loan.

Note: If your unit does not drill in a given month, you are not considered to be in nonpay status.

By law, your spouse has certain rights to your TSP account. Therefore, when you request a loan, you must indicate whether you are married, even if you are separated from your spouse. If you are married, the following rules apply:

- **If you are a FERS participant or a member of the uniformed services**, your spouse must consent to your TSP loan by signing the Loan Agreement that the TSP will send you (or that you print from the TSP website, if you request a loan online).
- **If you are a CSRS participant**, the TSP must notify your spouse when you apply for a loan.

Exceptions may be approved under certain very limited circumstances. For more information, refer to Form TSP-16, Exception to Spousal Requirements (TSP-U-16 for members of the uniformed services), which is available from the TSP website, or from your agency or service.

The TSP will pursue, and refer to the Department of Justice for prosecution, any person who attempts to deprive a spouse of his or her TSP rights by forging the spouse's signature, by lying about marital status, or by taking similar fraudulent actions.

If you have a court order against your account, you will not be able to get a loan. The TSP must honor certain orders, such as those that enforce payment of child support or alimony, or that award a portion of your account to a former spouse. When the TSP receives a court order, a hold is placed on your account. You cannot get a loan until the court order has been satisfied. For more information about court orders, read the TSP booklet Court Orders and Powers of Attorney, available from the TSP website, your agency or service, or the TSP.

Applying for a Loan

You can apply for a TSP loan in one of two ways:

Electronic Request — TSP website, www.tsp.gov

The TSP website is the most efficient way to request a loan. Log into the secure, My Account, section using your 13-digit TSP account number (or customized Web user ID), and your TSP Web password. Depending upon your retirement system coverage (FERS, CSRS, or uniformed services), marital status, type of loan, and how you want to receive the loan payment (by check or direct deposit), you will either be able to complete the process online, or you will be instructed to print out the partially completed Loan Agreement, complete the form, and mail or fax it to the TSP (with any additional required information). The TSP must receive the Loan Agreement **before** the expiration date at the top of the agreement.

Paper Request — Form TSP-20, Loan Application

Mail or fax your completed Loan Application to the TSP. Loan applications are available from the Forms & Publications section of the TSP website, or from your agency or service. The TSP will then send you a Loan Agreement with the terms of the loan. Complete the form, and return it to the TSP (with any additional required information). The TSP must receive the Loan Agreement **before** the expiration date at the top of the agreement.

If you are requesting a **residential loan**, you are required to document the costs associated with the purchase or construction of a primary residence.

If you do not return all of the required documents by the expiration date, you will have to reapply by submitting another Form TSP-20, Loan Application, or by applying online.

The TSP will deduct a $50 fee from the proceeds of the loan to cover administrative costs. This fee will be deducted proportionally from any traditional (non-Roth) and Roth money included in the loan amount. Your total loan amount will be reduced by the amount of the fee. For example, if you request a loan for $5,000, the TSP will deduct the $50 fee, and the amount paid to you will be $4,950. You cannot send a personal check to the TSP to pay the loan fee.

You can request that your loan be sent directly to your financial institution by electronic funds transfer (EFT). EFT is a safer method of payment than issuing a check. Please verify the routing number of your financial institution and your account number **before** you submit this information to the TSP. EFT payments can be made only to financial institutions in the United States. **Note:** If you request an EFT, your loan request cannot be completed online.

If you do not request an EFT, or if the EFT information you provide is incomplete or invalid (and the rest of your form is completed correctly), your loan will be paid to you by **check**. It will be mailed to the address in your TSP account record. This address will be printed on the first page of your Loan Agreement. **If your address is not correct, contact your agency or service to have your correct address submitted to the TSP before you apply for a loan. Lost, stolen, damaged, or misdirected checks can take 6 weeks or longer to replace.**

If you make your loan request on the TSP website AND you are able to complete the process online, your loan will generally be disbursed from the TSP within 3 business days, and a check will be mailed to you. It may take an additional 5 to 10 days to receive the check.

If you complete a paper Loan Agreement, it may take several weeks from the time the TSP receives your properly completed Loan Agreement until your loan is processed and you or your financial institution receives your loan. Improperly completed forms or invalid residential loan documentation will delay the processing of your loan.

Your loan may be less than the amount shown on your Loan Agreement. This can occur if the value of your account has declined. In this case, you will receive your loan in the smaller amount **unless the amount you are eligible to borrow has dropped below the $1,000 minimum loan amount**. The repayment period will be the same, but your loan payment amount will be reduced. You will receive a written confirmation of the loan disbursement, which will show the required payment amount.

Repaying a Loan

R**egularly scheduled loan payments are made through payroll deductions.** When your loan is disbursed, the TSP will notify your payroll office immediately to begin deducting loan payments from your salary each pay period. **Loan payments must start within 60 days of disbursement.** Check your earnings and leave statement to be sure that loan payments have started and that they are in the correct amount.

You are responsible for ensuring that correct loan payments are submitted on time. It does not matter whether your agency or service was responsible for a missed loan payment. You must pay the missed amount directly to the TSP using your own personal funds in order to avoid a taxable distribution. Your payroll office cannot make up missed payments from your paycheck.

You can reamortize[1] your loan at any time to change your payment amount or to shorten or lengthen your term, so long as you do not exceed the 5-year maximum term for a general purpose loan or the 15-year maximum term for a residential loan. There are no restrictions on the number of reamortizations that you can have during the life of a loan. You can reamortize your loan on the TSP website or by calling the TSP.

If you change agencies or payroll offices — for example, when you transfer from one civilian agency to another, from one component of the uniformed services to another, or from active duty to Ready Reserves — you must inform your new agency or service that you have a TSP loan, and instruct it to continue your TSP loan payments. You are responsible for submitting loan payments directly to the TSP until your new agency or service begins deducting loan payments from your pay. If you transfer to an agency that has a **different pay cycle** from your previous agency, you should reamortize your loan to update the pay cycle and avoid missing loan payments.

Members of the Ready Reserves whose drilling intervals are irregular (that is, other than monthly) and **civilians with intermittent pay schedules** should consult with their agencies or services before taking a loan from their TSP accounts so that they do not miss loan payments that could result in tax consequences.

You cannot suspend your loan payments. When you agree to the loan terms, you agree to repay the loan in full, and you authorize payroll deductions. If you are experiencing financial difficulties, you may be able to reamortize your loan to reduce the amount of each payment, but you cannot suspend or stop your loan payments.

The TSP will report your loan payments on your quarterly participant statement, and provide an annual loan summary on your annual participant statement. Review your statements carefully and report any discrepancies to your agency or service. You can also review the loan payments you have made within the last 90 days by logging into My Account on the TSP website.

Missed loan payments? At the end of each calendar quarter, the TSP identifies accounts with missing loan payments. If you missed loan payments, the TSP will send a notice to you indicating that you have until the end of the following calendar quarter to pay the missing amount. If you do not pay the missing amount by the date shown on the notice, you may face serious tax consequences.

You can make additional loan payments to restore your account more quickly or to make up for missed payments. Payments can be made by personal check or money order. Make your check or money order payable to the Thrift Savings Plan, and send your payment with a Loan Payment Coupon (TSP-26), which can be downloaded from the TSP website. Be sure to provide your complete TSP account number and your loan number on the check or money order **and** the Loan Payment Coupon to help us identify your account. (If any information is missing, your payment will be returned to you.) You will receive a notice confirming your payment. Please allow several days for processing upon receipt of your payment
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You can also prepay your loan in full at any time without a prepayment penalty using the same procedures outlined above. The TSP website or the ThriftLine can provide you with the prepayment amount, which includes all unpaid principal and any unpaid interest. The TSP will notify you and your payroll office when your loan has been paid in full. If payments continue, contact your payroll office immediately.

Taxable Distribution

The TSP must declare a **taxable distribution** on the **entire** unpaid balance (including any accrued interest) of your loan if: (1) your loan is in default (i.e., you miss loan payments or your payments are made for less than the amount required), and you do not submit the amount needed to bring your payments up-to-date within the time period specified by the TSP; (2) you do not repay your loan in full by the maximum term limit (5 years for a general purpose loan; 15 years for a residential loan); or (3) you separate from Federal service and do not repay your loan in full.

[1] Reamortizing your loan means that you can adjust the terms of your loan to change the loan payment or to shorten or lengthen the loan term. You may do so as long as you do not exceed the maximum term limit for your particular type of loan. You can reamortize your loan on the TSP website or by calling the TSP.

When the TSP declares a taxable distribution, the IRS considers the unpaid balance of your loan to be taxable income. In addition, if you are under age 59 ½, you may have to pay a 10% early withdrawal penalty tax. Once a taxable distribution has been declared, the loan is closed, and you will not be allowed to repay it.

If any part of your loan is associated with **tax-exempt and/or Roth contributions**, those contributions will **not** be subject to tax. However, the following conditions apply to Roth **earnings**:

- If the taxable distribution is declared because **you separate from Federal service**, any Roth earnings that are not qualified2 will be subject to tax. However, Roth earnings that are qualified[2] will not be subject to tax.
- If the taxable distribution is declared for **another reason** (such as a default on your loan), the Roth earnings will be subject to tax, even if you have already met the conditions necessary for your Roth earnings to be qualified.

A taxable distribution permanently reduces your TSP account. If the TSP declares a taxable distribution of your loan, your final account balance at retirement will be less than it otherwise would have been.

A taxable distribution will affect your eligibility for another loan. You cannot apply for another loan from that account within 12 months of the date of the distribution (unless the distribution was due to separation).

Consult the IRS or a tax advisor for information and advice if your loan is declared a taxable distribution. The TSP will send you the appropriate tax form by January 31 of the year after the distribution.

Separated Participants

If you leave Federal service, your loan must be closed within 90 days of the date when your agency or service reports your separation to the TSP.
You may:

- Repay your loan in full;
- Partially repay your loan, and receive a taxable distribution on the remaining outstanding balance; or
- Receive a taxable distribution of the entire outstanding loan balance.

Note: A withdrawal cannot be processed from your account until your loan has been closed.

When your agency or service reports your separation, you will be sent a notice with instructions. If the TSP does not receive payment in full by the required date shown on the notice, a taxable distribution will be declared. You will have to pay Federal income tax on the unpaid balance of your loan. Also, you may be subject to the IRS 10% early withdrawal penalty tax, unless you separate from Federal service in the calendar year you are age 55 or older.

You may be able to roll over (i.e., deposit within 60 days of the taxable distribution) any/or all of the taxable amount of the distribution into an IRA or an eligible employer plan using your personal funds. You thereby avoid taxes and penalties on that amount. Members of the uniformed services can also roll over tax-exempt amounts to an IRA **if** the IRA will accept them. For more specific information about rollover rules, see the TSP tax notice, "Important Tax Information About Payments From Your TSP Account," available on the TSP website. You may also want to consult with a tax advisor regarding your eligibility for, and the tax consequences of, making a rollover.

If you are a civilian employee who separated to perform military service and a taxable distribution was declared for the loan from your civilian account, you may be eligible to reverse the distribution when you return to Federal civilian service. For more information, see the fact sheet, TSP Benefits That Apply to Members of the Military Who Return to Federal Civilian Service, available on the TSP website.

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[2] Roth earnings become qualified (i.e., paid tax-free) when the following two conditions have been met:(1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution and (2) you have reached age 59 ½ or have a permanent disability. Note: The TSP cannot certify to the IRS that you meet the Internal Revenue Code's definition of disability when your taxes are reported. Therefore, you must provide the justification to the IRS when you file your taxes.

Participant Death

In the event of your death, the outstanding loan balance plus any unpaid interest is reported as a taxable distribution to your estate. Your loan cannot be repaid. The distribution is **not** subject to an early withdrawal penalty tax. However, any nonqualified Roth earnings included in the distribution will be subject to Federal tax.

How Nonpay Status Affects Your TSP Loan

You may suspend loan payments while in nonpay status (e.g., furlough or leave without pay) under the following conditions:

- If you go into approved nonpay status, loan payments can be suspended for up to one year of the nonpay period. If your nonpay period exceeds one year, loan payments can no longer be suspended. Your loan will be automatically reamortized at the end of the calendar quarter (March, June, September, or December) following the expiration of your one-year limit. Once you have received confirmation of your reamortization, you must make loan payments directly to the TSP from your personal funds to avoid being in default. These loan payments are required even if you are still in nonpay status. **Note:** The TSP will not automatically remove the nonpay hold on your account when your loan is reamortized after you reach the one-year limit. This will happen only when you return to pay status and you or your agency or service submits one of the documents listed below.
- If you are a civilian and go into approved nonpay status to perform **military service**, loan payments can be suspended until you return to pay status, even if this is longer than one year. (You cannot repay your civilian TSP loan by making loan deductions from your uniformed services pay.) **Note:** If the nonpay documentation submitted to the TSP does not specify that you are in nonpay status to perform military service, the suspension of your loan payments cannot exceed the one-year period described above. If your agency or service reports you as **separated** from civilian service to perform military service (rather than in nonpay), your loan must be closed within 90 days of the date when your agency or service reports your separation to the TSP.

When you begin your period of nonpay status, ask your agency or service to submit one of the following to the TSP:

- Form TSP-41, Notification to TSP of Nonpay Status; or
- Form SF-50, Notification of Personnel Action; or
- a letter on agency or service letterhead, signed by an appropriate agency official (or your commander or adjutant), and containing your name, date of birth, and Social Security number; the beginning date of the nonpay status; the type of nonpay (military or general); and the signature and title of the agency or service representative providing the information.

Or you may submit the following documentation directly to the TSP:

- Form SF-50, Notification of Personnel Action; or
- a copy of your military orders.

Any documentation that you or your agency or service submits must indicate whether your nonpay status is due to military service or for another reason. It is **your** responsibility to ensure that the TSP receives the proper documentation **immediately after** you enter nonpay status and **prior to** the declaration of a taxable distribution in order for your loan payments to be suspended. Otherwise, you must send loan payments directly to the TSP while in nonpay status or risk defaulting on your loan.

Interest on your loan will continue to accrue while loan payments are suspended. For this reason, you may want to continue making loan payments while in nonpay status. To continue making loan payments, send a personal check or money order to the TSP. Use the Loan Payment Coupon (TSP-26) when you send in your payments. The coupon can be found on the TSP website.

When you return from nonpay status, you or your agency or service must notify the TSP of your date of return using any type of documentation described previously in this section. Once the TSP is informed that you have returned to pay status, your loan will be reamortized automatically, and your loan payments made by payroll deductions must resume. Your reamortized loan payments must repay your loan by the maximum time allowed (5 years for a general

purpose loan; 15 years for a residential loan). If your current loan payment amount will repay your loan within this time period, your loan payment amount will not be changed. However, if your current loan payment amount will **not** repay the reamortized loan in full within this time period, your loan payment amount will be increased. If you are in a position that routinely goes into nonpay status, be aware that your loan payments could increase substantially over the term of the loan. Any loan payments received by the TSP during the nonpay period will be taken into account when the loan is reamortized.

If you are on approved leave without pay to work full time for an employee organization under which your TSP contributions may continue, or if you are on an Intergovernmental Personnel Act (IPA) assignment, you are eligible to apply for a TSP loan, but you may be required to send loan payments directly to the TSP while in this status. If you already have a loan when you begin your period of approved leave without pay, and your employee organization does not submit contributions or loan payments to the TSP, you must continue making your loan payments by submitting them directly to the TSP using your own personal funds. See your personnel or benefits officer for information about your TSP account.

Note to members of the Ready Reserve: If you have a loan from your civilian account and you are called to active military duty, you may elect to change the interest rate on your TSP loan to 6% for the period of your military duty, subject to the Service Members Civil Relief Act (50 U.S.C. App. § 501). Write or call the TSP for more information.

For more information about how nonpay status affects TSP loans, see the fact sheet, Effect of Nonpay Status on Your TSP Account, available from the TSP website or from your agency or service.

Requirements for Residential Loan Documentation When you request a residential loan, you must provide supporting documentation that shows the costs associated with the purchase or construction of your primary residence[3]. The TSP must receive this documentation before your loan can be approved. On each document you submit, write your name, TSP account number, and TSP loan number. Do not submit original documents; they will not be returned.

All of your documentation must:

- be from a third party (that is, someone who is selling the home to you or building it for you);
- be dated no more than 24 months before the expiration date on the TSP Loan Agreement;
- show you or your spouse as the purchaser or that the residence is being built for you;
- show the purchase or construction price;
- show the full address of the primary residence;
- show signatures of buyer and seller (contracts only).

Acceptable Types of Documentation

Purchase of House/Townhouse/Condo

- Contract, **or**
- Final (not estimated) settlement sheet

Construction of New Home - *Your documentation must clearly show that an entire home is being built and that you have receipts that total at least the loan amount you are requesting.*

- Construction contract(s), **or**
- Building permits
- Blueprints
- Utility permits
- Material receipts

Purchase of a Co-op

[3] A primary residence is one that you plan to live in for most of the year. A vacation home or a second home is not considered a primary residence.

- Documentation showing that you own shares in a co-op, **and**
- Complete purchase contract showing the sale price, **or**
- Final (not estimated) settlement sheet

Purchase of Mobile Home[4]

- Contract with serial number (or other identifying number) **and**
- Address where vehicle will be located

Purchase of Recreational Vehicle (RV)[5] — RVs are commonly used solely for recreational purposes or only on a part-time basis (e.g., summer travel). Therefore, stricter documentation requirements are needed.

- Contract with serial number (or other identifying number),
- Address where vehicle will be located,
- Description of vehicle's facilities and accommodations, and
- Signed statement that RV will be your primary residence

Purchase of Boat — Boats are commonly used solely for recreational purposes or only on a part-time basis (e.g., summer travel). Therefore, stricter documentation requirements are needed.

- Contract with serial number (or other identifying number),
- Description of the on-board facilities and accommodations,
- Letter from marina or other location where the boat will be moored, **and**
- Signed statement that the boat will be your primary residence

Note: A buyer/broker agreement or a Mortgage Application or Statement is **not** an acceptable form of documentation. However, other limited forms of documentation may be adequate under certain circumstances (e.g., legal/court documentation for auction purchases). If you are unsure if your documentation is acceptable, contact the TSP.

Checklist for Making Loan Payments Directly to the TSP[6]

- ✓ Obtain a Loan Payment Coupon (TSP-26) from the TSP website (www.tsp.gov) and print **all** information on the coupon, including your TSP account number and loan number, to help us identify your account. Otherwise, your payment will be returned to you.
- ✓ You may make your payment with a personal check, cashier's check, or money order made payable to the **Thrift Savings Plan**.
- ✓ If you do not know your loan number, check your account on the TSP website or call the TSP ThriftLine, 1-TSP-YOU-FRST (1-877-968-3778).
- ✓ Sign your check. Do not send cash.
- ✓ If you want to make payments for more than one loan, send a separate check (or money order) and coupon for each loan.
- ✓ Do not send correspondence or other TSP forms with the coupon.
- ✓ Mail the coupon and your check to:

Thrift Savings Plan
P.O. Box 979004

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[4] A mobile home is a house trailer that can be installed on a permanent site and used as a home. Although a mobile home is movable, it requires another vehicle (e.g., a truck) to transport it from one site to another.

[5] A recreational vehicle (RV) is a motorized wheeled vehicle that can be used as a home. It does not require the use of another vehicle to move it from one location to another.

[6] Regularly scheduled loan payments are made through payroll deductions. Use this check list if you would like to make additional loan payments to restore your account more quickly or to make up for missed payments.

St. Louis, MO 63197-9000
Send overnight deliveries to:
U.S. Bank
Box 9004
Government Lockbox SL-MO-C2GL
1005 Convention Plaza
St. Louis, MO 63101

Sources of Loan Information

TSP Website, www.tsp.gov, offers:

- General information about the loan program, including the current loan interest rate
- Forms and publications
- Loan calculator to estimate loan payments based on specific terms
- Examples of documentation required for a residential loan

In the My Account section (using your TSP account number or Web user ID and TSP Web password), you can:

- Learn the amount in your TSP account that is available for you to borrow
- Obtain the current loan interest rate
- Estimate the amount or repayment term of your loan payments
- Start (and possibly complete) a loan request
- Check the status of your loan request
- Change the terms of your loan
- Obtain your outstanding loan balance
- See your overdue loan (cure) amount if you have missed a payment
- Get prepayment information

TSP ThriftLine, 1-TSP-YOU-FRST* (1-877-968-3778) Using your TSP account number and your TSP PIN to access your account, you can:

- Learn the amount in your TSP account that is available for you to borrow
- Obtain the current loan interest rate
- Check the status of your loan request
- Get prepayment information

* Outside the U.S. and Canada, call 404-233-4400 (not toll free).

Forms and correspondence (other than loan payments) should be mailed to:

Thrift Savings Plan
P.O. Box 385021
Birmingham, AL 35238

Or faxed to:
1-866-817-5023

In-Service Withdrawals

In-service withdrawals (i.e., withdrawals from your account while you are still employed) are available to all active participants. The TSP does not charge a fee for making an in-service withdrawal. However, the overall impact on your retirement savings may be significant.

You must pay Federal, and in some cases, state income taxes on the taxable portion of the withdrawal, and you may also be subject to a 10% early withdrawal penalty tax. More importantly, if you make a financial hardship in-service

withdrawal, the overall impact can be even greater because you cannot contribute to the TSP for 6 months following your withdrawal. If you are a FERS employee, which means you will also not receive any Agency Matching Contributions during that time.

Types of in-service withdrawals

There are two types of in-service withdrawals:

- A financial hardship in-service withdrawal
- An age-based in-service withdrawal

Financial hardship in-service withdrawal

You can make a financial hardship in-service withdrawal if you can certify, under penalty of perjury, that you have a financial hardship as a result of a recurring negative cash flow, legal expenses for separation or divorce, medical expenses, or a personal casualty loss. You may withdraw only your contributions and any earnings those contributions have accrued. You can request $1,000 or more; however, the amount that you request cannot exceed the actual amount of your certified financial hardship. Further, you may not make contributions to your account (and if you are FERS, you will not receive the associated matching contributions) for 6 months after the disbursement of your funds.

Age-based in-service withdrawal

You can make an age-based in-service withdrawal anytime after you reach age 59½, as long as you are still a civilian Federal employee or a member of the uniformed services. You may withdraw part or all of your vested account balance. You can request a dollar amount of $1,000 or more, or your entire account balance (even if it is less than $1,000). You are permitted to make only one age-based in-service withdrawal. If you make one, you will not be eligible to make a partial withdrawal from your account after you separate from service.

Spouses' rights for in-service withdrawals

If you are a married FERS or uniformed services participant, your spouse must consent to your in-service withdrawal. If you are a married CSRS participant, the TSP must notify your spouse before an in-service withdrawal can be made. These rules apply even if you are separated from your spouse.

There are exceptions to these rights, but exceptions are rarely granted. For more information, see Form TSP-16 Or (U-16 for members of the uniformed services); Exception to Spousal Requirements.

Taxes on In-Service Withdrawals

You must pay Federal income taxes on the taxable portion of in-service withdrawals when they are paid directly to you. You will owe taxes on the portion of your withdrawal that comes out of your traditional balance (excluding tax-exempt contributions). You can retain the tax-deferred status of the traditional portion of your age-based withdrawal by transferring it to a traditional IRA or eligible employer plan. (You can also transfer it to a Roth IRA, but you would have to pay taxes on the transfer in the year it is made.)

You will not pay Federal income taxes on the portion of your in-service withdrawal that comes from your Roth contributions, and you will only pay taxes on the earnings if they are not qualified. However, you can transfer the Roth portion of your withdrawal to a Roth IRA or a Roth account maintained by an eligible employer plan.

Financial hardship in-service withdrawals may be subject to an early withdrawal penalty tax if you are younger than age 59½ when you make your withdrawal. For more detailed information about the tax rules, see the TSP tax notice "Important Tax Information about Payments from Your TSP Account."

Withdrawals After You Separate

If your vested account balance is $200 or more after you leave Federal service, you can leave your money in the TSP until later or you can withdraw all or a portion of your account. If you leave your money in the TSP after you separate from service, be sure to keep your address up-to-date so that the TSP can reach you.

Any withdrawal from your account will be made up of a proportional amount of traditional (non-Roth) and Roth money.

If your vested account balance is less than $200 when you leave Federal service, the TSP will automatically send you a check for the amount in your account. The check will be mailed to the address in your TSP account record. You cannot leave this money in the TSP or make any other withdrawal election.

Combining accounts

If you decide to leave money in the TSP after you separate from either the uniformed services or Federal civilian service, you will be able to combine your TSP accounts by submitting Form TSP-65, Request to Combine Uniformed Services and Civilian TSP Accounts. Money that you transfer will be deposited as employee contributions into the traditional or Roth balance of the combined account based on the way it was identified in the original account.

There are restrictions about how and when accounts can be combined. For example, you can only combine the money from the account related to your separation into your other account (and if you have a loan in the account you are moving, you must close it before you can combine your accounts). Also, tax-exempt contributions (i.e., contributions from combat zone pay) in your uniformed services TSP account may not be transferred to your civilian TSP account unless they are part of your Roth balance. Tax-exempt contributions that are part of your traditional (non-Roth) balance must remain in your uniformed services account.

Types of post-separation withdrawals

There are two types of post-separation withdrawals:

- A partial withdrawal
- A full withdrawal

Partial withdrawal

You can take out $1,000 or more and leave the rest in your account until you decide to withdraw it at a later date. You may make only one partial withdrawal from your account. If you made an age-based in-service withdrawal, you are not eligible for a partial withdrawal.

Full withdrawal

You choose how your entire account will be distributed using one—or any combination—of three withdrawal options available to you:

- A single payment
- A series of TSP monthly payments
- A life annuity purchased for you by the TSP

A single payment allows you to withdraw your entire TSP account at one time in one payment. It is sometimes referred to as a “lump sum.”

TSP monthly payments allow you to withdraw your entire account in a series of payments that will be paid to you each month from your TSP account. You can ask for a specific dollar amount each month or you can have the TSP calculate a monthly payment based on your life expectancy. If you choose a specific dollar amount, it must be at least $25.

At any time while you are receiving monthly payments, you can ask the TSP to stop the monthly payments and pay you your remaining account balance in a single payment. Also, once a year, you have the opportunity to make changes to the dollar amount of the monthly payments you are receiving. You also have the opportunity to make a one-time switch to receiving monthly payments based on a dollar amount rather than monthly payments based on life expectancy.

An annuity pays a benefit to you (or to your survivor) every month for life. The TSP purchases the annuity on your behalf from a private insurance company. You can have the TSP purchase an annuity with all or any portion of your account balance when you request a full withdrawal. In general, the amount you use for the purchase of an annuity must be $3,500 or more.

If you choose a life annuity and you have only one type of balance (traditional or Roth) in your TSP account, you must have at least $3,500 in your account at the time your annuity is purchased. If you are using only a portion of your account for an annuity, the percentage you choose when requesting your withdrawal must equal $3,500 or more of your vested account balance.

If you choose a life annuity and you have both a traditional balance and a Roth balance in your TSP account, the minimum threshold of $3,500 applies to each balance separately. You may choose to purchase an annuity as long as you have $3,500 in either your traditional or Roth balance. The TSP will purchase two of the same type of annuity (one with the traditional balance and one with the Roth balance). You cannot choose different annuities for each type of balance.

Also, the following rules apply:

- If you choose to use 100% of your TSP account to purchase an annuity and both balances are below $3,500, your withdrawal form will be rejected. If you have both a traditional balance and a Roth balance and at least one of the balances is at least $3,500, the TSP will purchase an annuity with the balance that is at least $3,500 and pay the other balance directly to you as a cash payment.
- Alternatively, if you choose an annuity as part of a mixed withdrawal, any amount(s) that cannot be used to purchase the requested annuity will be split proportionally and distributed according to the other withdrawal option(s) you have chosen.

You have a choice of three basic annuity types:

- A single life annuity—paid only to you during your lifetime.
- A joint life annuity with your spouse—paid to you while you and your spouse are alive. When one of you dies, payments are made to the survivor for the rest of his or her life.
- A joint life annuity with someone (other than your spouse) who has an insurable interest in you—paid to you while you and the person you choose are alive. When one of you dies, payments are made to the survivor for his or her life.

If you elect a joint annuity, you may be able to choose between a 50% or 100% payment option to the survivor.

Some additional annuity features may also be available, depending on the basic annuity type you choose. You may be able to request “cash refund,” “10-year certain,” or “increasing payment” features. The available annuities and their features are explained in detail in the booklet “Withdrawing Your TSP Account after Leaving Federal Service”.

Spouses’ rights for a partial withdrawal

If you are a married FERS or uniformed services participant, your spouse must consent to your partial withdrawal. If you are a married CSRS participant, the TSP must notify your spouse before a partial withdrawal can be made.

Spouses’ rights for a full withdrawal

If your vested account balance at the time of your full withdrawal is more than $3,500, your withdrawal will be subject to Federal law regarding spouses’ rights. These rules apply even if you are separated from your spouse:

- If you are a married FERS or uniformed services participant, your spouse is entitled to an annuity with a 50% survivor benefit, level payments, and no cash refund feature. Your spouse must waive the right to this particular annuity unless you use your entire account balance to purchase it.
- If you are a married CSRS participant, the TSP must notify your spouse before it can process your withdrawal, regardless of which withdrawal option you choose.

For both partial and full withdrawals, there are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on Form TSP-16 (TSP-U-16 for members of the uniformed services), Exception to Spousal Requirements.

Taxes on Withdrawals After You Separate

You must pay Federal income taxes on the taxable portion of withdrawals when they are paid directly to you. You will owe taxes on the portion of your withdrawal that comes out of your traditional balance (excluding tax-exempt contributions). You can retain the tax-deferred status of the traditional portion of your withdrawal by transferring it to a traditional IRA or eligible employer plan. (You can also transfer it to a Roth IRA, but you would have to pay taxes on the transfer in the year it is made.)

You will not pay Federal income taxes on the portion of your withdrawal that comes from your Roth contributions, and you will only pay taxes on the earnings if they are not qualified. However, you can transfer the Roth portion of your withdrawal to a Roth IRA or a Roth account maintained by an eligible employer plan.

Depending on your age when you leave Federal service, as well as your withdrawal option and its timing, you may be subject to the IRS early withdrawal penalty tax. For detailed information about the tax rules that apply to post-separation withdrawals, you should read the TSP tax notice "Important Tax Information about Payments From Your TSP Account" and consult with your tax advisor.

Getting information

For a detailed explanation of the TSP's post-separation withdrawal program, you should read the booklet "Withdrawing Your TSP Account after Leaving Federal Service". For specific information about your withdrawal request, check the TSP website or the ThriftLine, or contact the TSP.

Withdrawal deadline

If you are separated from Federal service or the uniformed services, you are required to make a withdrawal choice for your TSP account balance by April 1 of the year following the year you become age 70½.

However, if you are still employed at age 70½, your required withdrawals must begin by April 1 of the year following the year you separate from Federal service or the uniformed services.

If you do not withdraw (or begin withdrawing) your account by the required withdrawal deadline, your account balance will be forfeited to the TSP. You can reclaim your account; however, you will not receive earnings on your account from the time the account was forfeited.

IRS Required Minimum Distribution

At the same deadline, you will also be subject to the IRS required minimum distribution rules. These rules require you to receive a certain portion of your account each year based on your life expectancy. The TSP will send you information about these rules if they apply to you.

For more information about the withdrawal deadline and the IRS required minimum distribution rules, you can read the TSP tax notice "Important Tax Information about Your TSP Withdrawal and Required Minimum Distributions."

Automatic Enrollment Refunds

If you were automatically enrolled in the TSP, you may request a refund of the employee contributions (plus earnings or minus losses) associated with the automatic enrollment period. If you make a contribution election to change your automatic contributions in any way, you are no longer in the "automatic enrollment period," and you can therefore not request a refund of contributions you made after the change.

When the TSP receives your first contribution, you will receive your "welcome letter" from the TSP. The welcome letter will indicate the date your refund request must be received in order to be processed and other details relating to the refund.

You will receive a refund of your own employee contributions (and earnings). If you are FERS, you will forfeit all Agency Matching Contributions to the TSP when your refund is processed; however, your Agency Automatic (1%) Contributions will remain in your account. Read the instructions on Form TSP-25 for more information. See the TSP website for the form and additional information about automatic enrollment.

Please note that requesting a refund of your automatic employee contributions will not stop your agency from deducting future contributions from your pay each pay period. If you also want to stop your automatic contributions, you must make a contribution election to stop your contributions.

Special note for participants automatically enrolled more than once (i.e., separating and being rehired after a break in service of more than 30 days): Under rules mandated by the IRS, you are not given a new 90-day refund period unless one full calendar year (January through December) has passed since your last automatic enrollment contribution.

Death Benefits

In the event of your death, your account will be distributed to the beneficiary or beneficiaries you designate on the TSP's Designation of Beneficiary form. If you do not designate beneficiaries to receive your account, it will be disbursed according to the following order of precedence required by law:

- To your spouse
- If none, to your child or children equally, and to descendants of deceased children by representation;
- If none, to your parents equally or the surviving parent;
- If none, to the appointed executor or administrator of your estate;
- If none, to your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death.

For this order of precedence, a child includes a natural child or an adopted child but does not include a stepchild who has not been adopted. A parent does not include a stepparent, unless your stepparent has adopted you. "By representation" means that if your child predeceases you, his or her share will be divided equally among his or her children.

A will or any other document (such as a prenuptial agreement) is not valid for the disposition of your TSP account.

Designating a beneficiary

If you wish, you can designate a person or persons, your estate, or a trust to receive your TSP account after your death. To designate a beneficiary or beneficiaries, you must use Form TSP-3, Designation of Beneficiary. The completed form must be properly signed, witnessed, and received by the TSP on or before the date of your death.

Reviewing your beneficiaries

By law, the TSP must pay your properly designated beneficiary under all circumstances. For example, if you designate your spouse as a beneficiary on Form TSP-3, a beneficiary participant account will be set up for that spouse after your death, even if you are separated. If you divorce (and even remarry) but you do not submit a new Form TSP-3, your TSP account will be paid to the individual designated on your form, even if this person had given up all rights to your

TSP account. Consequently, if your life situation changes, you may want to file a new Designation of Beneficiary form that cancels or changes your current beneficiary designation.

TSP distribution of death benefits

In order for beneficiaries to receive your account balance after your death, they (or their representatives) must complete Form TSP-17 (TSP-U-17 for members of the uniformed services), Information Relating to Deceased Participant, and send it to the TSP along with a copy of the certified death certificate.

Once the TSP processes this information and determines the beneficiaries for your account, we will contact them with additional information and instructions.

For detailed information about death benefits and the disbursement options for beneficiaries, read the TSP booklet Death Benefits and the TSP tax notice "Important Tax Information about Thrift Savings Plan Death Benefit Payments."

Beneficiary Participant Accounts

In the event of your death, if your spouse is a beneficiary of your account and your spouse's share is $200 or more, a "beneficiary participant" account will be established in your spouse's name. Any death benefit processed from your account for your spouse will be deposited into this TSP account and invested in the G Fund. Your spouse can leave the money in the TSP and manage the investments in the TSP's funds, combine the account with his or her own TSP account, if applicable, or withdraw the money using any of the TSP post-separation withdrawal options.

For more information, see Your TSP Account: A Guide for Beneficiary Participants, which is available on the TSP website.

Other Information about the TSP

TSP Website (www.tsp.gov)

The TSP website has current TSP information and materials (e.g., forms, rates of return, share prices, and calculators). TSP participants can use their TSP account number or customized user ID and Web password to view personal account information and perform transactions.

ThriftLine

The toll-free ThriftLine (1-TSP-YOU-FRST or 1-877-968-3778) is the TSP's automated telephone service. It has information such as Plan News, share prices, and loan and annuity rates. You can opt to speak with a Participant Service Representative or you can use your TSP account number and ThriftLine PIN to access your account and perform certain transactions.

Account Security

The TSP takes many steps to keep your account secure. We provide you with a TSP account number and the opportunity to create a customized user ID to use instead of your account number. The TSP also provides you with a customizable Web password and ThriftLine PIN. It is important that you do your part to protect your account by keeping these numbers secure. Do not reveal them to anyone or store them where anyone can find them.

TSP account number

The TSP provides you with a 13-digit account number that you must use to identify your account. Use this number when accessing your account on the TSP website or the ThriftLine or when filling in TSP forms. Like a bank or credit union account number, your TSP account number cannot be changed. If you forget it, you can use the TSP website or the ThriftLine to request to have it mailed to you. You can also find your account number on your quarterly and annual participant statements.

Customized user ID

If you find it difficult to remember your TSP account number when logging into your account in the My Account section of the TSP website, you can create your own customized user ID. However, to create your user ID, you will first need to log into My Account with your TSP account number and Web password. Once you have established your user ID, you can change it whenever you wish. Instructions are available on the TSP website. If you forget your user ID, you can enter My Account with your TSP account number and Web password and create a new user ID. You cannot use your customized user ID on the ThriftLine.

If you have both a civilian and a uniformed services account, you may use the same or different customized user ID for both accounts.

Web password

As soon as your account is established, the TSP mails you an 8-digit Web password to use with your TSP account number (or customized user ID) when you log into the My Account section of the TSP website or when you contact the TSP. You can change your password at any time, but you must first enter your TSP account number or user ID and your existing password. If you forget your Web password, you can request a new one at the beginning of the My Account section of the TSP website or by contacting the TSP.

ThriftLine Personal Identification Number (PIN)

As soon as your account is established, the TSP mails you a 4-digit PIN to use with your TSP account number to access account information and perform certain transactions on the ThriftLine. You can change your PIN at any time on the ThriftLine. To do so, you must first enter your TSP account number and existing PIN. If you forget your PIN, you can request a new one on the ThriftLine or by contacting the TSP. Note: Your ThriftLine PIN is not the same as PINs for other agency or service systems (e.g., Employee Express, EBIS, LiteBlue, myPay, or NFC PPS).

Participant Statements

The TSP issues quarterly statements in January, April, July, and October, and annual statements for each year in February.

Your quarterly statements cover all transactions in your account during the previous three months. If you have any TSP loans, the statement also summarizes your loan activity. You can view or print these statements on the TSP website or request to have them mailed to you.

Your annual statement summarizes the financial activity in your account for that year and provides other important information such as your personal investment performance and your primary beneficiary information. The TSP posts this statement on the Web and, unless you request only electronic annual statements, also mails it to you.

Check your statements carefully, and, if you see any information you believe is not correct, follow up with your agency or service or the TSP.

Court Orders

Your TSP account is subject to court orders issued in connection with divorce, annulment, or legal separation, and by laws that enforce alimony and child support payments and judgments against you for child abuse. For more details and sample court order language, read the TSP booklet Court Orders and Powers of Attorney and the TSP tax notice “Tax Treatment of Thrift Savings Plan Payments Made under Qualifying Orders.”

TSP Administration

Management

The Federal Retirement Thrift Investment Board (Agency) is an independent Government agency that administers the TSP. It is managed by a presidentially appointed five-member Board and an Executive Director chosen by the Board.

The Agency's record keeper handles the day-to-day maintenance and administration of all TSP accounts and assists participants with specific types of TSP related problems or questions.

Law

The TSP is established under the Federal Employees' Retirement System Act of 1986 and is codified primarily under Chapter 84 of title 5, United States Code (USC). By law, the assets in the TSP are held in trust for each individual participant. The TSP is treated as a qualified trust which is exempt from taxation (see 26 USC § 7701(j)). Its regulations are published in Chapter VI of title 5 of the Code of Federal Regulations.

Audits

By law, the TSP must be audited annually. You can obtain a copy of the most current audited financial statement from the TSP website or by writing to the TSP.

Bankruptcy and TSP loans

The funds in your TSP account are held in trust for you by the TSP and, by law, are protected from the claims of creditors. Your TSP account cannot be garnished to pay debts.

TSP Loan Repayment

If you have a TSP loan, your payments must continue because, for bankruptcy purposes, the TSP loan is not a debt, and the TSP is not your creditor. Therefore, the bankruptcy court does not have jurisdiction over your TSP loan.

Chapter 7 and chapter 13 bankruptcy actions will not affect your obligation to repay a TSP loan. Therefore, under either type of bankruptcy, you must continue making loan payments as provided in your Loan Agreement.

Financial Hardship In-Service Withdrawal

A chapter 7 bankruptcy action does not affect your ability to obtain a financial hardship in-service withdrawal. Under chapter 13 of the bankruptcy code, you are only eligible to receive a financial hardship in-service withdrawal if you have unpaid medical expenses, a casualty loss, or unpaid legal fees incurred for a separation or divorce.

More Information

For detailed information about the effect of bankruptcy on your TSP account, see the TSP fact sheet, Bankruptcy Information — Petitions Filed on or After October 17, 2005. Different rules apply to bankruptcies filed prior to that date. (See the TSP fact sheet, Bankruptcy Information — Petitions Filed Before October 17, 2005.)

Flexible Spending Accounts

The newest benefit now being offered to federal employees is the federal government's flexible spending account program, known as "FSAFEDS." Under FSAFEDS, federal workers can allocate pre-tax dollars to a Health Care Flexible Spending Account (HCFSA) and/or a Dependent Care Flexible Spending Account (DCFSA) to pay for certain expenses. Similar to programs offered in the private sector, flexible spending accounts are designed to help federal employees save money in taxes.

FSAFEDS was launched in 2003, and the Office of Personnel Management (OPM) has contracted with a company called SHPS, Inc. to manage it. Open seasons for FSAFEDS will be held in conjunction with the Federal Employees Health Benefits (FEHB) open seasons, which occur in November and December of each year. Unless you are a new hire or newly eligible for the program, experience a qualified status change (QSC), or qualify for belated enrollment, you can only enroll in FSAFEDS during the open season, and your election will become effective the following January 1st.

With the Health Care FSA, federal employees can use pre-tax dollars to pay for certain health care expenses that are not reimbursed by the FEHBP or any other source, and not claimed on the participant's income tax return. The maximum amount an employee may set aside is $5,000. The minimum annual election for a Health Care Flexible Spending Account is $250 per account. Note: the Health Care FSA does not replace your health insurance; it simply pays for your out-of-pocket health care expenses with pre-tax dollars. You can find out more about FSAFEDS on their website. https://www.fsafeds.com/fsafeds/index.asp

The Dependent Care FSA lets employees use pre-tax dollars to pay for eligible dependent care expenses, such as child care expenses or expenses for an adult who is disabled. For the Dependent Care FSA, employees can set aside up to $5,000 per year ($2,500 if the employee is married and filing a separate income tax return). The minimum annual election for a Dependent Care Flexible Spending Account is $250 per account.

Under the program, employees generally pay the health care or dependent care expenses up front, and then submit a claim form to get reimbursed for the expenses out of their FSAs. Some FEHB plans, however, have teamed with FSAFEDS to provide for automatic reimbursement. With automatic reimbursement, the employee does not have to complete a claim form and submit it to FSAFEDS. Instead, once the participating FEHB plan processes the employee's medical, dental, and/or prescription claims, it will forward the employee's out-of-pocket expenses electronically to FSAFEDS for automatic reimbursement to the employee's HCFSA.

A Brief Overview

There are several things you should know about FSAFEDS. First, participation in the program is entirely voluntary. You do not have to participate if you do not want to. Second, you must elect an FSA annually. If you elect to participate in the FSA program, your election is good for only one year. You must make an election each year you want to participate. For a list of FAQs, go here: https://www.fsafeds.com/fsafeds/SummaryOfBenefits.asp

Third, unlike the FEHBP, there are no government contributions to the program. All of the money contributed to the FSA is contributed by you. The benefit to you, if you decide to participate, is that the money you contribute to an FSA will be pre-tax – instead of after-tax – dollars. Thus, the program helps you reduce your taxable income by allowing you to put money in an FSA. The money for your qualified medical expenses or dependent care expenses then comes out of your FSA, so that you are paying for these expenses with before-tax, instead of after-tax, dollars.

An example of how this works is as follows. Say you earn $55,000 a year and you set aside $2,600 in a Dependent Care FSA for child care expenses and $1,500 in a Health Care FSA for medical expenses. Because you are using FSAs, you reduce your taxable income by $4,100 ($2,600 plus $1,500). Therefore, instead of being taxed on $55,000 in income, you would be taxed on $50,900 in income ($55,000 minus $4,100). This means that the FSAs would generate a tax savings for you of approximately $1,145.

To help you figure out how much you could save in taxes by using FSAs, just go to the FSA calculator at https://www.fsafeds.com/fsafeds/fsa_calculator.asp

Fourth, be aware that **if you do not use all of the money in your FSA in a given year, you will lose that money**. If there is extra money in your FSA at the end of the year, that money will not "roll over" for later use, nor will it be returned to you. **This means that you must plan carefully to make sure that you do not have money left over in your FSA at the end of the year**. Moreover, if you realize during the year that you have elected to put too much money into an FSA, you cannot change your allotment unless you have what's called a "Qualified Life Event."

A few examples of a "qualifying life event" include a change in your marital status (you get married, divorced, legally separated, or your spouse dies); a change in the number of your dependents (a birth, adoption, or a death of a dependent); or a change in employment status. For more examples of what constitutes a qualified life event and its impact, go to the FSA website.https://www.fsafeds.com/forms/qscfact.pdf You can download the necessary form here: https://www.fsafeds.com/forms/qscform.pdf

Fifth, while there is a fee associated with participating in the Federal FSA Program, there is no cost to the participant. In November 2003, legislation was enacted that requires federal departments and agencies that provide or plan to provide the FSA program for their employees to pay the administrative fee on behalf of their employees.

Employee Eligibility

Eligible participants for the Health Care FSA are those federal employees eligible to enroll in the FEHB Program. (Note that eligibility for the FEHBP is the key – you do not need to be enrolled in the FEHBP to elect an FSA.) All eligible federal employees of executive branch agencies and other federal employers who have agreed to offer the FSAFEDS program may make an election immediately upon entry on duty, with the exception that temporary federal employees are eligible only upon completion of one year of continuous service in their job position.

In addition to employees eligible for a Health Care FSA, eligible participants for the Dependent Care FSA include employees with temporary, seasonal and intermittent appointments who are expected to work at least six months, as well as all temporary and seasonal employees. All eligible federal employees of executive branch agencies and adopting employers may participate in the Dependent Care FSA immediately upon their entrance on duty.

If you are a new or newly eligible employee and you want to participate in FSAFEDS, you have 60 days after your hire date, but no later than October 1st of any Plan Year, to make an election to participate in either the HCFSA or DCFSA. These elections will be binding throughout the Plan Year unless you experience a qualifying life event (see above). If you are hired on or after October 1st, you are ineligible to participate in that Plan Year, but you can elect an FSA during the FEHB open season held each fall for the following Plan Year.

Only current employees may set aside income in flexible spending accounts. By law, federal retirees are not eligible to maintain FSAs. (Non-federal retirees are ineligible, as well.) As stated above, employees can elect to participate during the annual open season, which is held in November and December. Employees who wish to re-enroll in the program *must* do so each year.

Eligible Health Care Expenses

As explained above, you can use a Health Care Flexible Spending Account (HCFSA) for reimbursement of health care expenses that are not paid by insurance. You can use your HCFSA to pay for expenses incurred by you and anyone you claim as a dependent on your federal income tax return.

Health care expenses that can be reimbursed under a HCFSA are those that:

- cannot be taken as a deduction from your federal income tax return in any tax year even though they qualify as eligible expenses that could be deducted. You may not take both options - you must either declare them on your taxes <u>or</u> get reimbursed for those expenses through your FSA;
- are not covered, paid, reimbursed, or reimbursable from any other source;
- do not exceed the amount allotted for your HCFSA for the Plan Year;

- do not include reimbursements for premiums for other health insurance; and
- while not limited to the dollar amount in your HCFSA at the time a claim is reimbursed, are limited to the total amount you elected (minus any amounts you have been reimbursed for claims submitted earlier in the Plan Year).

Note: under the federal government's FSA program, insurance premiums are not reimbursable expenses. This means that you cannot be reimbursed out of your HCFSA for long-term care premiums or temporary continuation of coverage premiums.

Some of the health care expenses that are reimbursable under a HCFSA are:

- Co-payments, coinsurance and deductibles (but not premiums)
- Acupuncture
- Childbirth classes
- Chiropractic care
- Dental care
- Diabetic supplies
- Eye exams, glasses (including prescription sunglasses) and contact lenses
- Fitness programs (Possible Coverage)
- Hair transplants (Possible Coverage)
- Hearing aids
- Home medical equipment (crutches, wheelchairs, canes, oxygen, respirators, etc.) (Possible coverage)
- Infertility treatment
- Laser eye surgery
- Medical supplies
- Occupational therapy
- Orthodontia
- Orthotics
- Over-the-counter medications (not including vitamins and dietary supplements) (RX Required)
- Physical therapy
- Prescription drugs
- Preventive care
- Psychotherapy
- Smoking cessation programs (including over-the-counter treatments)
- Specialized equipment or services for disabled persons (such as auto equip., Braille books, guide animals, etc.)
- Speech therapy
- Transportation expenses related to medical care
- Water fluoridation services (Possible Coverage)
- Well-baby and well-child care
- Whirlpool baths (Possible Coverage)
- Wigs for hair loss due to a disease (Possible Coverage)

Some ineligible expenses include:

- Cosmetic procedures
- Expenses claimed on an income tax return
- Expenses reimbursed by other sources, such as insurance plans
- Illegal treatments, operations or drugs
- Insurance premiums, including COBRA, Tricare and long-term care
- Prescription drug discount program fees
- Weight loss programs for general well-being

Eligible Dependent Care Expenses

A Dependent Care Flexible Spending Account (DCFSA) is designed for reimbursement on a pre-tax basis for child care or adult dependent care expenses that are necessary to allow you or your spouse to work; look for work; or to attend school full-time. The care can be provided in or out of your home.

You can use your DCFSA to pay for eligible expenses for the care of your dependent children under the age of 13, or for any person of any age whom you claim as a dependent on your federal income tax return and who is mentally or physically incapable of caring for him or herself.

Dependent care expenses that can be reimbursed under the DCFSA are:

- limited to amounts paid for services rendered in your home or amounts paid for services rendered outside of your home for the care of a qualified dependent. The services rendered must be necessary to allow you and your spouse to work, look for work, or attend school full-time;
- limited to the amount in your DCFSA at the time a claim is reimbursed; and
- not covered, paid, reimbursed, or reimbursable from any other source.

Some of the dependent care services that are reimbursable under a DCFSA are:

- Child care (at a daycare center, day camp, nursery school or by a private sitter)
- Late pickup fees (from a caregiver)
- Before-school and after-school care (must be billed separately from tuition expenses)
- Care of an incapacitated adult who lives with you at least eight hours a day
- Childcare at a day camp, nursery school, or by a private sitter
- Late pick-up fees
- Expenses for a housekeeper whose duties include caring for an eligible dependent
- Summer or holiday day camps, including registration fees
- Activities in lieu of day care when the fees associated with the activity are incidental to, or cannot be separated from, the cost of care (swimming lessons, arts and crafts, music lessons, etc.)

Some ineligible expenses include:

- Education or tuition fees
- Expenses for children age 13 and older
- Overnight camps
- Payment for services not yet provided (*payment in advance)
- Field trips, clothing and food
- Transportation to and from the dependent care provider

Making a Claim

Generally, to make a claim you must complete and submit a claim form, along with supporting documentation, with SHPS to be reimbursed. To obtain a copy of a claim form, go to: https://www.fsafeds.com/forms/FSAFEDS_HC_Claim.pdf

According to SHPS, the fastest way to get reimbursed is to fax your claims and use the EFT option. However, you can also mail your claims.

For More Information

For more information on FSAFEDS generally, go to http://www.fsafeds.com.

Federal Employees Retirement System

Congress created the Federal Employees Retirement System (FERS) in 1986, and it became effective on January 1, 1987. Since that time, new Federal civilian employees who have retirement coverage are covered by FERS. FERS is a retirement plan that provides benefits from three different sources: a *Basic Benefit Plan*, *Social Security*, and the Thrift Savings Plan (TSP). Two of the three parts of FERS (Social Security and the TSP) can go with you to your next job if you leave the Federal Government before retirement. The Basic Benefit and Social Security parts of FERS require you to pay your share each pay period. Your agency withholds the cost of the Basic Benefit and Social Security from your pay as payroll deductions. Your agency pays its part too. Then, after you retire, you receive annuity payments each month for the rest of your life.

The TSP part of FERS is an account that your agency automatically sets up for you. Each pay period your agency deposits into your account amount equal to 1% of the basic pay you earn for the pay period. You can also make your own contributions to your TSP account and your agency will also make a matching contribution. These contributions are tax-deferred. The Thrift Savings Plan is administered by the Federal Retirement Thrift Investment Board.

For more information about TSP, see their website. See the SSA website for more information about the Social Security portion of your retirement benefit. This website covers the Federal Employees Retirement System. Through the menu links on the left, you can find information about the following FERS retirement topics:

- Eligibility – The main eligibility requirements for the common types of retirements.
- Creditable Service – Rules showing the civilian and military service that can be used to compute your FERS retirement benefits.
- Computation – How your retirement benefit is computed.
- Disability – Special rules governing Disability retirement.
- Early Retirement - Explanation of the minimum retirement age and early retirement if you agency under goes a “reduction in force” or you are involuntarily separated other than for cause.
- Voluntary – Requirements for the most common type of retirement.
- Deferred - If you are a former Federal employee who was covered by the Federal Employees Retirement System (FERS), you may be eligible for a deferred annuity at age 62 or the Minimum Retirement Age (MRA).
- FERS Annuity Supplement – The additional annuity retirees may be eligible for until they are eligible to receive the Social Security portion of their retirement benefits.
- Service Credit – Payment to increase your annuity for civilian service when no FERS retirement deductions were withheld or were refunded or for military service after 1956.
- Former Employees – Options if you leave your Government job before becoming eligible for retirement.

Eligibility

There are four categories of benefits in the Federal Employees Retirement System (FERS) Basic Benefit Plan:

Immediate | Early | Deferred | Disability

Eligibility is determined by your age and number of years of creditable service. In some cases, you must have reached the Minimum Retirement Age (MRA) to receive retirement benefits. Use the following chart to figure your Minimum Retirement Age.

If you were born	Your MRA is
Before 1948	55
In 1948	55 and 2 months
In 1949	55 and 4 months
In 1950	55 and 6 months
In 1951	55 and 8 months
In 1952	55 and 10 months

In 1953-1964	56
In 1965	56 and 2 months
In 1966	56 and 4 months
In 1967	56 and 6 months
In 1968	56 and 8 months
In 1969	56 and 10 months
In 1970 and after	57

Immediate Retirement:

An immediate retirement benefit is one that starts within 30 days from the date you stop working. If you meet one of the following sets of age and service requirements, you are entitled to an immediate retirement benefit:

Age	Years of Service
62	5
60	20
MRA	30
MRA	10

If you retire at the MRA with at least 10, but less than 30 years of service, your benefit will be reduced by 5 percent a year for each year you are under 62, unless you have 20 years of service and your benefit starts when you reach age 60 or later.

Early Retirement:

The early retirement benefit is available in certain involuntary separation cases and in cases of voluntary separations during a major reorganization or reduction in force. To be eligible, you must meet the following requirements:

Age	Years of Service
50	20
Any Age	25

Deferred Retirement:

Refers to delayed payment of benefit until criteria are met, as follows:

If you leave Federal service before you meet the age and service requirements for an immediate retirement benefit, you may be eligible for deferred retirement benefits. To be eligible, you must have completed at least 5 years of creditable civilian service. You may receive benefits when you reach one of the following ages:

Age	Years of Service
62	5
MRA	30
MRA	10

If you retire at the MRA with at least 10, but less than 30 years of service, your benefit will be reduced by 5 percent a year for each year you are under 62, unless you have 20 years of service and your benefit starts when you reach age 60 or later.

Disability Retirement:

Disability Federal Employees Retirement System (FERS) Annuity Requirements:

Age	Years of Service
Any Age	18 months

Special Requirements: You must have become disabled, while employed in a position subject to FERS, because of a disease or injury, for useful and efficient service in your current position. The disability must be expected to last at least one year. Your agency must certify that it is unable to accommodate your disabling medical condition in your present position and that it has considered you for any vacant position in the same agency at the same grade/pay level, within the same commuting area, for which you are qualified for reassignment.

FERS Creditable Service

Creditable service under FERS usually includes:

- Federal "covered service", that is, service in which the individual's pay is subject to FERS retirement deductions, such as service under a career or career conditional appointment,
- Federal service performed before 1989, where an employee's pay was not subject to retirement deductions, such as, service under a temporary appointment, as long as a deposit is paid. There are a few exceptions to the rule that the service must have been performed before 1989, in order to be eligible to pay a deposit. The only exceptions are:
    - U.S. Senate Child Care Center service
    - Peace Corps/VISTA service
    - service under the Foreign Service Pension System (FSPS)
    - service performed before 12/31/90 with the Democratic or Republican Senatorial Campaign Committee or the Democratic or Republican National Congressional Committee, and
    - service with the Library of Congress Child Development Center prior to 12/21/00.

Deposit: A deposit is the payment of the retirement deductions, plus interest, which would have been withheld from your pay if you had been covered by the Federal Employees Retirement System (FERS) during a period of employment when retirement deductions were not withheld from your salary. You are not required to make this type of payment.

If Retirement Deductions Were Never Withheld

Generally, non-deduction service cannot be credited under FERS, unless it was performed before 1989 and a deposit is made.

Deposit for Service Ending before January 1, 1989 and Covered by FERS: You can make a deposit for creditable Federal Employees Retirement System (FERS) service you performed before 1989 during which retirement deductions were not withheld from your pay. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged to the date the deposit is paid in full or the annuity begins, whichever is earlier. Interest is applied at the rates described in the table below. If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit.

Deposit for Service ending on/after January 1, 1989 and Covered by FERS: With certain minor exceptions, a Federal Employees Retirement System (FERS) employee cannot make a deposit for non-contributory service performed on/after January 1, 1989.

If You Received a Refund of Your Retirement Deductions

Redeposit

A redeposit is the repayment of retirement deductions that were previously withheld and refunded to you, plus interest.

If you Received a Refund of Your Retirement Deductions

If you receive a refund of FERS deductions and were covered by FERS on or after October 28, 2009: you may repay (or redeposit) any FERS deductions previously refunded. You may also redeposit any CSRS deductions previously refunded that covered CSRS service and is now credited under FERS rules.

Interest is charged from the date of the refund and compounded annually. Interest is charged to the date full payment is made or the date annuity begins, whichever is earlier. If you do not pay for a period of this type of service, you will receive credit in determining your eligibility to retire but will not receive credit for this service in computing your retirement benefit.

Exception for Individuals with a portion of their FERS annuity computed under CSRS Rules

If you have a CSRS component with deposit or refund service, the CSRS rules will be used to compute the deposit or redeposit for this service.

Exception for individuals with a portion of their FERS annuity computed under CSRS rules

If you have civilian service performed before the effective date of your FERS coverage and part of your annuity will be computed under CSRS rules, that service will be credited under CSRS service credit rules.

Making Payment to Get Credit for Service

You should apply to make a payment by completing a Standard Form 3108 (Application to Make Service Credit Payment/FERS). You should use this form even if a portion of your FERS annuity will be computed under CSRS rules.

If you are a Federal employee

Send your completed application to your department or agency because they must certify it. Please do not file an application if you plan to retire within six months. OPM will give you an opportunity to make payment when it computes their annuity.

If you are not currently a Federal employee

Send your completed application directly to:

OPM
Retirement Operations Center
Deposit Section
P.O. Box 45
Boyers, PA 16017-0045

If you are within six months of retirement

Submit your request to make the deposit or redeposit at the same time you submit your application for retirement. We will notify you of any amounts due so you can decide whether or not to make the payment. OPM cannot, however, authorize your regular annuity payments until they have your decision about the payment.

Military Service

Credit for Military Service

As a general rule, military service in the Armed Forces of the United States is creditable for retirement purposes if it was active service terminated under honorable conditions, and performed prior to your separation from civilian service for retirement.

Service Performed Before 1957

- creditable without deposit

Service Performed on or after January 1, 1957

- a deposit must be paid to credit the service to establish title to an annuity or to compute your annuity

Exception for individuals with a portion of their FERS annuity computed under CSRS rules

If your military service was performed before the effective date of your FERS coverage, the military service will be credited under CSRS rules.

Computation

Your basic annuity is computed based on your length of service and "high-3" average salary. To determine your length of service for computation, add all your periods of creditable service, then eliminate any fractional part of a month from the total.

High-3 Average Salary

Your "high-3" average pay is the highest average basic pay you earned during any 3 consecutive years of service. These three years are usually your final three years of service, but can be an earlier period, if your basic pay was higher during that period. Your basic pay is the basic salary you earn for your position. It includes increases to your salary for which retirement deductions are withheld, such as shift rates. It does not include payments for overtime, bonuses, etc. (If your total service was less than 3 years, your average salary was figured by averaging your basic pay during all of your periods of creditable Federal service.)

Computation for Non-Disability Retirements

Here is how the basic FERS annuity formula is calculated:

FERS Basic Annuity Formula	
Under Age 62 at Separation for Retirement **Or** Age 62 or Older With Less Than 20 Years of Service	1 percent of your high-3 average salary for each year of service
Age 62 or Older at Separation With 20 or More Years of Service	1.1 percent of your high-3 average salary for each year of service

Your benefit was computed differently, if you retired under one of the provisions below:

Special Provision for Air Traffic Controllers, Firefighters, Law Enforcement Officers, Capitol Police, Supreme Court Police, or Nuclear Materials Couriers
1.7% of your high-3 average salary multiplied by your years of service which do not exceed 20, **plus** 1% of your high-3 average salary multiplied by your service exceeding 20 years

Member of Congress or Congressional Employee (or any combination of the two) **Must have at least 5 years of service as Member and/or Congressional Employee**
1.7% of your high-3 average salary multiplied by your years of service as a Member of Congress or Congressional Employee which do not exceed 20, **plus** 1% of your high-3 average salary multiplied by your years of other service

Transferred to the Federal Employees Retirement System (FERS)

At time of transfer, had at least 5 years of creditable civilian service covered by either:

- Civil Service Retirement System (CSRS)
- Social Security

(but not both-excludes service during which partial CSRS deductions were withheld)
Annuity will have 2 components:

- FERS Component
- CSRS Component

Computation of FERS Component	
Under Age 62 at Separation for Retirement **Or** Age 62 or Older With Less Than 20 Years of Service	1 percent of your high-3 average salary for each year of service
Age 62 or Older at Separation With 20 or More Years of Service	1.1 percent of your high-3 average salary for each year of service
Computation of CSRS Component ***(For retirements under the special provision for firefighters, law enforcement officers, nuclear materials couriers, Members of Congress or Congressional employees, see below)***	
First 5 years of CSRS service	1.5% of your high-3 average salary for each year of service
Second 5 years of CSRS service	1.75% of your high-3 average salary for each year of service
All years of CSRS service over 10	2% of your high-3 average salary for each year of service
Computation of CSRS Component ***If retired under the special provision for firefighters, law enforcement officers, or nuclear material couriers***	
2.5% of the years and months of CSRS law enforcement officer, firefighter or nuclear material courier service up to 20 years multiplied times the high-3 average salary **plus** 2% of the remaining years of service times the high 3 average salary.	
Computation of CSRS Component ***If retired under the special provision for Members of Congress or Congressional Employees***	
2.5% of your high-3 average salary multiplied by your years and months of service as a Member of Congress and/or Congressional Employee, your military service while on a leave of absence as a Member and up to 5 years of other military service, **plus** 1.75% of your high-3 average salary multiplied by your years of other service, which when added to your years of 2.5% service, do not exceed 10 years, **plus** 2% of your high-3 average salary multiplied by your years of other service in excess of 10 years	

Reductions in Non-Disability Annuity

Age

If you retire under the MRA+10 provision:

- If you have 10 or more years of service and retire at the Minimum Retirement Age (MRA), your benefit will be reduced by 5/12 of 1% for each full month (5% per year) that you were under age 62 on the date your annuity began. However, your annuity will not be reduced if you complete at least 30 years of service, or if you complete at least 20 years of service and your annuity begins when you reach age 60.
- If you postpone the beginning date of your annuity, the age reduction will be reduced or eliminated. The age reduction applies to both the Civil Service Retirement System and the Federal Employees Retirement System components of your annuity, if you transferred to FERS and part of your annuity is computed under the CSRS provision.

If you retire under the discontinued service or early optional retirement provision with a CSRS Component:

- If you retire on a discontinued service retirement or early optional retirement because your agency was undergoing a major reorganization, reduction-in-force or transfer of function, and part of your benefit was computed under CSRS rules, the CSRS portion will be reduced if you are under age 55. The reduction is 1/6 of 1% (2% per year) for every month that you are under age 55 at the time of retirement.

Survivor Benefits

If you are married, your benefit will be reduced for a survivor benefit, unless your spouse consented to your election of less than a full survivor annuity. If the total of the survivor benefit(s) you elect equals 50% of your benefit, your annuity is reduced by 10%. If the total equals 25%, the reduction is 5%.

Unpaid or Refunded Service

If you have a CSRS component in your annuity:

- The CSRS portion of your benefit will be reduced by 10% of any deposit owed for CSRS non-deduction service performed before October 1, 1982, unless the deposit was paid before retirement.
- The CSRS portion of your non-disability benefit will be reduced by an actuarial factor for any CSRS refunded service performed before October 1, 1990, if you do not repay the refund before retirement and your annuity commences after December 2, 1990.

Alternative Annuity

Your benefit may be reduced if you elected a lump sum payment equal to your retirement contributions and a reduced monthly annuity, commonly called an alternative annuity. Only non-disability annuitants who have a life-threatening affliction or other critical medical condition can elect this option.

Disability Retirement Computation

FERS disability benefits are computed in different ways depending on the annuitant's age and amount of service at retirement. In addition, FERS disability retirement benefits are recomputed after the first twelve months and again at age 62, if the annuitant is under age 62 at the time of disability retirement.

FERS Disability Computation if:

- Age 62 or older at retirement, or
- Meet the age and service requirements for immediate voluntary retirement

You receive your "earned" annuity based on the general FERS annuity computation, as follows:

• If age 62 or older at retirement with less than 20 years of service, or • under age 62 qualified for an immediate voluntary retirement	1 percent of your high-3 average salary for each year of service
• If age 62 or older with 20 or more years of service	1.1 percent of your high-3 average salary for each year of service

FERS Disability Computation if:

- Under age 62 at retirement, and
- Not eligible for voluntary immediate retirement

For the first 12 months	60% of your high-3 average salary minus 100% of your Social security benefit for any month in which you are entitled to Social Security benefits However, you are entitled to your "*earned*" annuity, if it is larger than this amount.
After the first 12 months	40% of your high-3 average salary minus 60% of your Social Security benefit for any month in which you are entitled to Social Security disability benefits However, you are entitled to your "*earned*" annuity, if it is larger than this amount.
When you reach age 62 **Your annuity will be recomputed using an amount that essentially represents the annuity you would have received if you had continued working until the day before your 62nd birthday and then retired under FERS.**	If your actual service, plus the credit for time as a disability annuitant equals less than 20 years: 1 percent of your high-3 average salary for each year of service If your actual service, plus the credit for time as a disability annuitant equals 20 or more years: 1.1 percent of your high-3 average salary for each year of service Total Service used in the computation will be increased by the amount of time you have received a disability annuity Average Salary used in the computation will be increased by all FERS cost-of-living increases paid during the time you received a disability annuity.

Reductions in Disability Annuity

Survivor Benefits

If you are married, your benefit will be reduced for a survivor benefit, unless your spouse consented to your election of less than a full survivor annuity.

- If the total of the survivor benefit(s) you elect equals 50% of your benefit, your annuity is reduced by 10%.
- If the total equals 25%, the reduction is 5%.

Unpaid Service if "earned" annuity paid

If you have a *CSRS component* in your annuity, the CSRS portion of your benefit will be reduced by 10% of any deposit owed for CSRS non-deduction service performed before October 1, 1982, unless the deposit was paid before retirement.

Cost of Living Adjustments

Your annuity will be increased for cost-of-living adjustments, if:

- You are over age 62; or

- You retired under the special provision for air traffic controllers, law enforcement personnel, or firefighters; or
- You retired on disability, except when you are receiving a disability annuity based on 60% of your high-3 average salary. This is generally during the first year of receiving disability benefits; or
- Your retirement includes a portion computed under Civil Service Retirement System (CSRS) rules.

FERS retirees under age 62, who do not fall into one of the categories above, are not eligible for cost-of-living increases until they reach age 62.

If you've been receiving retirement benefits for less than 1 year and are eligible for a cost-of-living adjustment, you'll get a percentage of the cost-of-living increase. The percentage depends on how long you were receiving your annuity before the effective date of the increase.

Disability

When to Consider Applying for Disability Retirement

You should consider applying for disability retirement only after you have provided your employing agency with complete documentation of your medical condition and your agency has exhausted all reasonable attempts to retain you in a productive capacity, through accommodation or reassignment.

Eligibility Requirements

You must meet all of the following conditions to be eligible for disability retirement:

- You must have completed at least 18 months of Federal civilian service which is creditable under the Federal Employees Retirement System (FERS).
- You must, while employed in a position subject to the retirement system, have become disabled, because of disease or injury, for useful and efficient service in your current position.
- The disability must be expected to last at least one year.
- Your agency must certify that it is unable to accommodate your disabling medical condition in your present position and that it has considered you for any vacant position in the same agency at the same grade or pay level, within the same commuting area, for which you are qualified for reassignment.
- You, or your guardian or other interested person, must apply before your separation from service or within one year thereafter. The application must be received by either OPM or your former employing agency within one year of the date of your separation. This time limit can be waived only if you were mentally incompetent on the date of separation or within one year of this date.
- You must apply for social security disability benefits. Application for disability retirement under FERS requires an application for social security benefits. If the application for social security disability benefits is withdrawn for any reason, OPM will dismiss the FERS disability retirement application upon notification by the Social Security Administration.

Applying for FERS Disability Retirement

You must complete the following forms:

- SF 3107, Application for Immediate Retirement, and
- SF 3112, Documentation In Support of Disability Retirement
- If you are under age 62, documentation that you have applied for social security disability benefits after you separated from your agency.

If you have been separated from Federal service for 31 days or less

Your employing agency will help you complete these forms and will forward the completed forms to OPM. However, it is your responsibility to obtain all of the information necessary for OPM to make a decision on your claim. This includes providing all of the required forms and documents.

If you have been separated from Federal service for more than 31 days

Your application for disability retirement must be received by OPM within one year after the date of your separation. If you have been separated from Federal service for more than 31 days, your former employing agency may no longer have your personnel records and may not be able to recover them in time to process your disability retirement application and submit it to OPM within the one-year time limit. Therefore, you should submit your application directly to OPM rather than to your agency.

U.S. Office of Personnel Management
Retirement Operations Center
Post Office Box 45
Boyers, PA 16017

- Ask your former supervisor and employing agency to complete SF 3112B, SF 3112D and SF 3112E and give them to you so you can send them to OPM.
- If you think you will not have the completed package in time to meet the one-year time limit, send OPM the completed SF 3107 and SF 3112A, along with the name, address and telephone number of the person(s) you have asked to complete the remaining forms.

Periodic Medical Exams to Keep Your Disability Benefit

When we approve your application for disability retirement, we may determine that based on your medical condition you will periodically have to provide us with current medical information in order to continue receiving benefits.

Paying for Periodic Medical Exams

You are responsible for paying for any medical exams that are needed. If you do not fulfill the request for evidence of continuing disability, it is likely that your benefit payments could be suspended until your continuing eligibility is established.

Changing Your Retirement to Disability Retirement

You can submit an application for disability retirement within one year after your separation from employment provided you did not elect the alternative form of annuity with a lump sum payment equal to your retirement contributions. You and your former employing agency must submit evidence that shows you became disabled while employed in a position subject to FERS coverage, and you and your agency must provide evidence that you were unable to perform useful and efficient service because of disease or injury in the position you retired from. Your former agency will also have to certify that it could not reasonably accommodate your condition. Moreover, you must not have declined an offer of reassignment to a vacant position in the commuting area at the same grade or pay level and tenure.

If you change to disability retirement, you will lose your special retirement supplement. This supplement is not paid to individuals who retire on disability.

Termination of FERS Disability Benefit

If you are under age 60, your benefit will stop if:

- You are found to be medically recovered from your disabling condition;
- In any calendar year your income from wages and self-employment is at least 80 percent of the current rate of basic pay from the position you retired from (also known as restoration to earning capacity); or
- You are reemployed in the Federal service in a position equivalent to what you held at retirement (also called “administratively recovered”).

Reinstatement of Disability Benefit if it Stops

- If your disability benefit stopped because you were found recovered either medically or administratively, your benefit can resume only if the disability recurs and you do not exceed the 80 percent earnings limitation.
- If your disability stopped because you exceeded the earnings limitation, your benefit can resume effective the first of the year after you no longer exceed the 80 percent earnings limit.

Disability Retirement Computation

FERS disability benefits are computed in different ways depending on the annuitant's age and amount of service at retirement. In addition, FERS disability retirement benefits are recomputed after the first twelve months and again at age 62, if the annuitant is under age 62 at the time of disability retirement.

FERS Disability Computation if:

- Age 62 or older at retirement, or
- Meet the age and service requirements for immediate voluntary retirement

You receive your "earned" annuity based on the general FERS annuity computation, as follows:

If age 62 or older at retirement with less than 20 years of service, or	1 percent of your high-3 average salary for each year of service
Under age 62 qualified for an immediate voluntary retirement	
If age 62 or older with 20 or more years of service	1.1 percent of your high-3 average salary for each year of service

FERS Disability Computation if:

- Under age 62 at retirement, and
- Not eligible for immediate voluntary retirement

For the first 12 months	**60% of your high-3 average salary minus 100% of your Social security benefit for any month in which you are entitled to Social Security benefits** **However, you are entitled to your "earned" annuity, if it is larger than this amount.**
After the first 12 months	40% of your high-3 average salary minus 60% of your Social Security benefit for any month in which you are entitled to Social Security disability benefits. However, you are entitled to your "earned" annuity, if it is larger than this amount.

When you reach age 62 **Your annuity will be recomputed using an amount that essentially represents the annuity you would have received if you had continued working until the day before your 62nd birthday and then retired under FERS.**	If your actual service, plus the credit for time as a disability annuitant equals less than 20 years:: 1 percent of your high-3 average salary for each year of service If your actual service, plus the credit for time as a disability annuitant equals 20 or more years: 1.1 percent of your high-3 average salary for each year of service Total Service used in the computation: • will be increased by the amount of time you have received a disability annuity Average Salary used in the computation: • will be increased by all FERS cost-of-living increases paid during the time you received a disability annuity.

Reductions in Disability Annuity

Survivor Benefits

If you are married, your benefit will be reduced for a survivor benefit, unless your spouse consented to your election of less than a full survivor annuity. If the total of the survivor benefit(s) you elect equals 50% of your benefit, your annuity is reduced by 10%. If the total equals 25%, the reduction is 5%.

Unpaid Service if "earned" annuity paid

If you have a CSRS component in your annuity, the CSRS portion of your benefit will be reduced by 10% of any deposit owed for CSRS non-deduction service performed before October 1, 1982, unless the deposit was paid before retirement.

Cost of Living Adjustments for FERS Disability Retiree

If you are under age 62, and your annuity was computed using 60% of your high-3 average salary, COLA's are not payable for the first 12 months. COLAs which occur after this 12-month period are payable. If you are age 62 at retirement or if you meet the age and service requirements for an immediate FERS annuity, all cost-of-living adjustments occurring after the commencing date of annuity are payable.

Entitlement to Other Benefits-Effect on FERS Disability Benefit:

Social Security Benefits

If you are under age 62 and your annuity benefits were computed using either 60% or 40% of your high-3 average salary, the Office of Personnel Management will reduce your monthly annuity by all or a portion of your Social Security benefits. While you are receiving an annuity computed using the 60% computation, OPM must reduce your monthly annuity by 100% of any Social Security disability benefit to which you are entitled. While you are receiving an annuity computed using the 40% computation, your monthly annuity will be reduced by 60% of any Social security disability benefit to which you are entitled. This reduction only applies for months in which you are concurrently entitled to both FERS and Social Security benefits.

Receipt of disability benefits from the Office of Personnel Management and total or partial disability benefits from the U.S. Department of Labor, Office of Workers' Compensation Programs (OWCP) at the same time
Generally, you must decide which benefit is most advantageous for you and elect to receive that one. If you decide you want to receive Office of Workers' Compensation Programs (OWCP) benefits, payments from the Office of Personnel Management will be suspended. However, if your OWCP benefits stop, you can ask us to pay your FERS disability

benefit. You can receive an OWCP "*Scheduled Award*" and the Office of Personnel Management benefits at the same time. Contact us to tell us if you are awarded workers' compensation benefits and see if you need to make an election between benefits.

Refer to the Office of Workers' Compensation Programs (OWCP) for additional information about workers' compensation benefits.

Early Retirement

MRA+10 Retirement

If you have 10 or more years of service, you can retire at the Minimum Retirement Age (MRA).

Age Reduction

Under this type of retirement, your annuity will be reduced for each month that you are under age 62. The reduction is 5% per year (5/12 of a percent per month). However, your annuity will not be reduced if you completed at least 30 years of service, or if you completed at least 20 years of service and your annuity begins when you reach age 60. You can reduce or eliminate this age reduction if you choose to have your annuity begin at a date later than your Minimum Retirement Age. You can choose any beginning date between your MRA and 2 days before your 62nd birthday.

Determine Your MRA

If your year of birth is…	Your Minimum Retirement Age is…
Before 1948	**55 years**
1948	55 years, 2 months
1949	55 years, 4 months
1950	55 years, 6 months
1951	55 years, 8 months
1952	55 years, 10 months
1953 to 1964	56 years
1965	56 years, 2 months
1966	56 years, 4 months
1967	56 years, 6 months
1968	56 years, 8 months
1969	56 years, 10 months
After 1969	57 years

Early Optional Retirement

If your agency undergoes a major reorganization, reduction in force, or transfer of function, and a significant percentage of the employees will be separated, or will be reduced in pay, the head of your agency can ask the U.S. Office of Personnel Management (OPM) to permit early optional retirement for eligible employees. If your agency gets approval to permit early optional retirements, eligible employees will be notified of the opportunity to retire voluntarily.

Discontinued Service Retirement Because of an Involuntary Separation

The term "involuntary separation" means any separation against the will and without the consent of the employee, other than "for cause" for misconduct or delinquency. The most common cause of an involuntary separation is a reduction in force. Another frequent cause for an involuntary separation is when the location of an office or unit is moved to an area outside the commuting area of the old worksite*. Employees who decline reasonable offers of other positions are not eligible for discontinued service annuities.

*Exception: If, when you accepted your current position, you were placed under a general mobility agreement whereby you would be subject to geographic reassignment, you would not be eligible for discontinued service annuity rights if your position is moved to an area outside the commuting area.
If your agency,

- makes you a reasonable offer and you choose to decline the offer and resign, you will not qualify for discontinued service retirement, or
- separates you by adverse action procedures for not complying with a directed reassignment to a position that is a "reasonable offer"

your separation would not be qualifying for discontinued service.

Reasonable Offer

- Written offer of another position in your agency and commuting area for which you are qualified, and
- Which is no more than two grades or pay levels below your current grade or pay level.

Commuting Area

Geographic area that usually constitutes one area for employment purposes. It includes any population center (or two or more neighboring ones) and the surrounding localities in which people live and reasonably can be expected to travel back and forth daily in their usual employment.

Eligibility Requirements for Early Optional Retirement and Discontinued Service Retirement Because of an Involuntary Separation

Age	**Years of Service Needed (At least 5 years must be civilian service)**
50	20
Any	25

Annuity Computation

Here is how the basic FERS annuity formula is calculated:

FERS Basic Annuity Formula	
• Under Age 62 at Separation for Retirement or • Age 62 or Older With Less Than 20 Years of Service	1 percent of your high-3 average salary for each year of service
• Age 62 or Older at Separation With 20 or More Years of Service	1.1 percent of your high-3 average salary for each year of service

Reductions in Annuity

In addition to the regular reductions for survivor benefits, unpaid service and refunded service, your annuity would be subject to the following age reduction:

- If you retire under the MRA+10 provision
    - If you have 10 or more years of service and retire at the Minimum Retirement Age (MRA), your benefit will be reduced by 5/12 of 1% for each full month (5% per year) that you were under age 62 on the date your annuity began. However, your annuity will not be reduced if you complete at least 30 years of service, or if you complete at least 20 years of service and your annuity begins when you reach age 60.

- If you postpone the beginning date of your annuity, the age reduction will be reduced or eliminated.
- The age reduction applies to both the Civil Service Retirement System and the Federal Employees Retirement System components of your annuity, if you transferred to FERS and part of your annuity is computed under the CSRS provision.

- If you retire under the discontinued service or early optional retirement provision with a CSRS Component
  - If you retire on a discontinued service retirement or early optional retirement because your agency was undergoing a major reorganization, reduction-in-force or transfer of function, and part of your benefit was computed under CSRS rules, the CSRS portion will be reduced if you are under age 55. The reduction is 1/6 of 1% (2% per year) for every month that you are under age 55 at the time of retirement.

Voluntary

Age and Service Requirements for Voluntary Retirement

Eligibility is based on your age and the number of years of creditable service and any other special requirements. If you meet one of the following sets of requirements, you may be eligible for a voluntary immediate retirement benefit. An immediate annuity is one that begins within 30 days after your separation.

Type of Retirement	Minimum Age	Minimum Service	Special Requirements
Voluntary (Optional)	**62**	**5**	**None**
	60	20	None
	MRA*	30	None
	MRA*	10	None (Note: Annuity is reduced by 5% for each year the employee is under age 62.)
	Any age	25	You must retire under special provisions for air traffic controllers, law enforcement or firefighter personnel.
	50	20	
	Any age	25	OPM must have determined that your agency is undergoing a major reorganization, reduction-in-force, or transfer of function.
	50	20	

Determine Your MRA

If your year of birth is…	Your Minimum Retirement Age is…
Before 1948	**55 years**
1948	55 years, 2 months
1949	55 years, 4 months
1950	55 years, 6 months
1951	55 years, 8 months
1952	55 years, 10 months
1953 to 1964	56 years
1965	56 years, 2 months
1966	56 years, 4 months
1967	56 years, 6 months
1968	56 years, 8 months
1969	56 years, 10 months
After 1969	57 years

MRA (Minimum Retirement Age) + 10 Retirement

Age Reduction

If you have 10 or more years of service and are retiring at the Minimum Retirement Age, your annuity will be reduced for each month that you are under age 62. The reduction is 5% per year (5/12 of a percent per month). However, your

annuity will not be reduced if you completed at least 30 years of service, or if you completed at least 20 years of service and your annuity begins when you reach age 60. You can reduce or eliminate this age reduction by postponing the beginning date of your annuity.

Postponing the Beginning Date of Annuity to Reduce or Avoid the Age Reduction

You can reduce or eliminate the age reduction if you choose to have your annuity begin at a date later than the Minimum Retirement Age (MRA). You can choose any beginning date between your MRA and 2 days before your 62nd birthday. However, you cannot begin your annuity while you are reemployed.

If you postpone the beginning date of your annuity, you should be aware of the following:

Life Insurance

You cannot continue your life insurance coverage unless you are receiving an annuity. Therefore, if you postpone the beginning date of your annuity, your life insurance enrollment will terminate. When your annuity begins, the life insurance coverage you had when you separated from your employment will resume.

Health Insurance

If you postpone the beginning date of your annuity, you will be eligible to temporarily continue your health benefits coverage for 18 months from the date of separation from your employing agency; however, you must contact your agency within 60 days and pay the total premium, plus a 2% administrative charge. When your annuity payments begin, you will again have the opportunity to enroll in a health benefits plan under the regular Federal Employees Health Benefits Program, and OPM will pay the Government share of the premium.

Long Term Care Insurance

If you already have Long Term Care Insurance Coverage when you separate for retirement, but postpone the commencing date of your annuity, your coverage will continue as long as you continue to pay premiums. If you are not enrolled in the Long Term Care Insurance Program when you separate for retirement, you can apply for enrollment anytime after your separation, even if you postpone the commencing date of your annuity.

COLAs

If you delay your annuity beginning date, your annuity rate will not include any cost-of-living adjustments (COLAs) that occur before you begin to receive the annuity. Once your annuity begins, you will be entitled to COLAs on any portion of your annuity which was computed under CSRS rules. However, you will not receive COLAs on the FERS part of your benefit until you are 62.

Survivor Benefits

If you defer receipt of your annuity and die before you begin to receive it, your spouse can still receive FERS survivor benefits.

Deferred

If you are a former Federal employee who was covered by the Federal Employees Retirement System (FERS), you may be eligible for a deferred annuity at age 62 or the Minimum Retirement Age (MRA).

Age and Service Requirements

You are eligible for a deferred annuity if you meet one of the following age and service requirements:

- You have completed at least 5 years of creditable civilian service, then you are eligible for a deferred annuity beginning the first day of the month after you reach age 62

- You have completed at least 10 years of creditable service, including 5 years of civilian service, then you are eligible for a deferred annuity beginning the first day of the month after you reach the Minimum Retirement Age (MRA)*

***Determine Your MRA**

If your year of birth is…	Your Minimum Retirement Age is…
Before 1948	55 years
1948	55 years, 2 months
1949	55 years, 4 months
1950	55 years, 6 months
1951	55 years, 8 months
1952	55 years, 10 months
1953 to 1964	56 years
1965	56 years, 2 months
1966	56 years, 4 months
1967	56 years, 6 months
1968	56 years, 8 months
1969	56 years, 10 months
After 1969	57 years

Age Reduction

If you completed at least 10 years, but less than 30 years of creditable service before you left Federal service years, your annuity will be reduced if it begins before age 62. The only exception to this is if you had at least 20 years of service and your annuity begins when you reach age 60.

Your annuity will be reduced by 5/12 of 1 percent (5 percent per year) for each month by which your benefit commencing date precedes your 62nd birthday. However, you can postpone the commencing date of your annuity to reduce or eliminate this age reduction.

Health Benefits and Life Insurance Coverage

If you receive a deferred annuity, you are not eligible to continue any health benefits or life insurance coverage you had while employed.

Retiree Annuity Supplement

Former employees who receive a deferred annuity are not eligible for the retiree annuity supplement.

Commencing Date of Deferred Retirement

Retirement with 10 or More Years of Service

The annuity begins either:

- the first day of the month after the former employee attains the MRA, or
- later date specified by the retiree, in order to reduce or avoid the age reduction

Retirement with At Least 5 Years but Less Than 10 Years of Service

The annuity begins:

- first day of the month after the individual reaches age 62

Survivor Annuity

If you are married when your annuity begins, it will be computed with a reduction to provide a maximum survivor annuity (50 percent of your unreduced annuity) for your spouse upon your death. You can elect to provide a partial survivor annuity (25 percent of your unreduced annuity) or no survivor annuity; however, you must get your spouse's consent to elect either of these options. You can also elect a survivor annuity for a former spouse or an insurable interest survivor annuity.

Computation of Deferred Annuity

Your deferred annuity is based on the length of service and high-3 average salary in effect when you separated from Federal service.

Applying for Deferred Annuity

Form to Use

Use form RI 92-19 [406 KB], Application for Deferred or Postponed Retirement to apply for deferred or postponed retirement annuity under the Federal Employees Retirement System. Refer to http://www.opm.gov/retirement-services/publications-forms/pamphlets/ri92-19a.pdf "Applying for Deferred or Postponed Retirement under the Federal Employees Retirement System (FERS)" for instructions on how to complete the RI 92-19.

When to Apply

Send your application to OPM approximately 60 days before you want your benefits to begin. Send your completed application to:

Office of Personnel Management
Federal Employees Retirement System
P.O. Box 45
Boyers, PA 16017-0045

If You Die Before Applying for a Deferred Annuity

If you have less than 10 years of creditable service or no eligible survivor, any contributions remaining in the retirement fund are paid in a lump sum (with interest) to your designated beneficiary or an individual in order of precedence as set by law.

If you have 10 or more years of creditable service for which withholdings or deposits remain in the Retirement fund (5 years of which is creditable civilian service) and your spouse was married to you at the time of your separation from Federal service, he/she would be eligible for a survivor annuity. Your surviving spouse may elect to receive a lump-sum payment of your retirement contributions in lieu of a survivor annuity.

FERS Annuity Supplement

The FERS annuity supplement is paid in addition to gross monthly Federal Employees Retirement System (FERS) annuity benefits. It represents what you would receive for your FERS civilian service from the Social Security Administration (SSA) and is calculated as if you were eligible to receive SSA benefits on the day you retired.

Eligibility for the annuity supplement continues until the earlier of:

- The last day of the month before the first month for which you would be entitled to actual social security benefits, or
- The last day of the month in which you reach age 62.

Eligibility for the Annuity Supplement

If you retire voluntarily on an immediate annuity which is not reduced for age, you may be eligible for the annuity supplement, in addition to your regular monthly FERS benefit. You may also receive the supplement if you retired involuntarily before attaining your Minimum Retirement Age (MRA) or voluntarily because of a major reorganization, reduction in force, or an early retirement for Members of Congress. However, in these three instances, you will not be eligible for the annuity supplement until you reach your Minimum Retirement Age (MRA). If you receive a deferred benefit, a disability benefit or an immediate MRA+10 benefit; you will not be eligible for the annuity supplement.
If your annuity has a Civil Service Retirement System (CSRS) and a Federal Employees Retirement System (FERS) component, you can still receive an annuity supplement. However, you must have completed one full calendar year of service subject to FERS computation rules.

Computation of Annuity Supplement

The FERS annuity supplement is computed as if you were age 62 and fully insured for a social security benefit when the supplement begins. OPM first estimates what your full career (40 years) social security benefit would be. Then we calculate the amount of your civilian service under FERS and reduce the estimated full career social security benefit accordingly. For example, if your estimated full career social security benefit would be $1,000 and you had worked 30 years under FERS, we would divide 30 by 40 (.75) and multiply ($1,000 x .75 = $750). The result would be your FERS annuity supplement, prior to any reductions.

Changes in the Amount of the Supplement

Like social security benefits, the FERS annuity supplement is subject to an earnings test. It is reduced if you earn more than the social security exempt amount of earnings in the immediately preceding year. The supplement is reduced by $1.00 for every $2.00 of earnings over the minimum level. It is possible that the supplement could reduce to $0. However, the FERS basic benefit will not be reduced. If you are receiving a supplement, you must report your earnings to OPM. You will receive instructions on how to report your earnings, once you begin receiving the annuity supplement.

Minimum Level of Earnings

The amount you may earn without affecting your FERS annuity supplement is determined by the Social Security Administration each year. It increases with the annual increases in average wages for the national workforce.

Definition of Earnings

The FERS basic benefit is not considered earnings when determining your earnings for the earnings test. Earnings for the year consist of the sum of wages for service performed in the year, plus all net earnings from self-employment for the year, minus any net loss from self-employment for the year.

Service Credit

Civilian Service

Under FERS, you can make a payment for the following types of service, in order to credit it toward your retirement:

- Any period of creditable civilian service performed before 1989 during which no retirement deductions were withheld from your pay.
- Any period of civilian service during which retirement deductions were withheld from your pay and refunded to you based on an application you filed before you became covered by FERS.
- Any period of Peace Corps or VISTA volunteer service (excluding training time) regardless of when the service was performed.

Payment cannot be made for:

- Any period of service under FERS for which you received a refund of your retirement deductions based on an application you filed after you had been covered by FERS.
- Temporary or intermittent service which you performed after 1988. Temporary service means an appointment which is limited to one year or less. Intermittent service means an appointment with no scheduled tour of duty.
- Any other service which is not creditable under FERS.
- Periods of leave without pay.
- Time covered by a lump sum leave payment.

If retirement deductions were not withheld during the period of service

You can pay a deposit for the service, if it was performed before 1989. FERS deposits (excluding Peace Corps and VISTA volunteer service) are normally 1.3 percent of your basic pay for the service, plus interest. The 1.3 percent rate applies regardless of whether deductions would have been taken at that rate, if they had been taken at the time the service was performed.

Deposit for Service Ending before January 1, 1989 and Covered by FERS

You can make a deposit for creditable Federal Employees Retirement System (FERS) service you performed before 1989 during which retirement deductions were not withheld from your pay. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged to the date the deposit is paid in full or annuity begins, whichever is earlier. If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit.

Deposit for Service Ending on/after January 1, 1989 and Covered by FERS

With certain minor exceptions, a Federal Employees Retirement System (FERS) employee cannot make a deposit for non-contributory service performed on/after January 1, 1989.

If you transferred to FERS from CSRS, the following rules apply to the CSRS portion of your annuity

Deposit for Service Ending before October 1, 1982 and Covered by CSRS

You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed before October 1982 during which retirement deductions were not withheld from your pay. You will receive retirement credit for all of this service whether or not you pay the deposit. However, unless you pay the deposit in full, your annual benefit will be reduced by 10 percent of the deposit amount due at retirement. Also, any annuity due your surviving spouse will be reduced proportionately. Interest is charged from the midpoint of periods of service through the date of the bill. If full payment is received within 30 days after the bill is issued, no additional interest is charged. Otherwise, interest will be computed after each payment at the rate of 3 percent for the interval since the most recent payment you have made. You may pay installments of $50 or more, but paying the full amount minimizes further interest charges. After each payment we will send you an updated account statement.

Deposit for Service Ending on/after October 1, 1982 and Covered by CSRS

You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed on or after October 1982 during which retirement deductions were not withheld from your pay. Unless you pay the deposit in full, you will not receive credit for the service in the computation of your annuity. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged through December 31 of the year before the year in which the bill is being issued. If full payment is received by December 31 of the year in which the bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time.

If retirement deductions were withheld from your pay and later refunded to you

Redeposit Service and Covered by FERS

You can repay any refund you received for any period of civilian service during which retirement deductions were withheld from your pay and later returned to you before you were covered by the Federal Employees Retirement System (FERS). Interest is charged from the date of the refund and compounded annually. Interest is charged to the date full payment is made or the date annuity begins, whichever is earlier. If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit.

Redeposit Service Ending before October 1990 and Covered by CSRS

You can repay the refund you received for periods of civilian service ending before October 1990 during which retirement deductions were withheld from your pay and later refunded to you. However, you will receive credit for all of this service whether or not you make the payment (unless you retire under the disability provisions of the law). Your annuity will be subject to a permanent actuarial reduction based on the amount of redeposit and interest due and your age at retirement. The actuarial reduction will not be applied to any annuity due your surviving spouse. You can avoid the reduction by repaying the refund.

If the refund was paid before October 1, 1982, interest is charged up through the billing date. If full payment is received within 30 days after the bill is issued, no additional interest will be charged. Otherwise, interest will be computed after each payment at the rate of 3 percent for the interval since the most recent payment.

If the refund was paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time.

Redeposit Service Ending on or after October 1, 1990 and Covered by CSRS

You can repay the refund you received for periods of civilian service ending on or after October 1, 1990, during which retirement deductions were withheld from your pay and later refunded to you. Unless you pay the redeposit in full, you will not receive credit for this service in the computation of your annuity. Consequently, your annuity, as well as any annuity due your surviving spouse, will be reduced. For refunds paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued.

If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rated described in the table.

Procedures for paying a deposit or redeposit

You should apply to make a payment by completing a Standard Form 3108 (Application to Make Service Credit/ FERS). If you are within six months of retirement, you should submit your request to make the deposit or redeposit at the same time you submit your application for retirement. You can use a form or letter to do this. OPM will notify you of any amounts due so you can decide whether or not to make the payment. OPM cannot, however, authorize your regular annuity payments until they have your decision about the payment.

Military Service

Credit for Military Service performed after 1956

To receive FERS credit for military service performed after 1956, you must pay a deposit. The amount of the deposit is:

Dates of Service	Amount of Deposit Due
Through 12/31/98	3% of military basic pay
1/1/99 through 12/31/99	3.25% of military basic pay

1/1/00 through 12/31/00	3.4% of military basic pay
1/1/01 to the present	3% of military basic pay

If you are entitled to have part of your retirement computed under CSRS Rules, military service performed prior to your transfer to FERS comes under the following CSRS deposit rules:

The CSRS deposit is 7 percent of your military basic pay

- If you were first employed in a civilian position before October 1, 1982, you do not pay the deposit and you are eligible for a Social Security benefit at age 62, the CSRS part of your annuity will be recomputed at age 62 to delete credit for the post-1956 military service.
- If you were first hired on or after October 1, 1982, you will not receive any credit for post-1956 military service if you do not make the deposit for it.

Procedures for paying the post-1956 military service deposit

You must make the deposit payment for your post-1956 military service before you stop working for the government. It is paid to your employing agency. You should ask your local servicing personnel center for help in determining whether to make this payment. They can provide personalized assistance because they have your employment records.

Former Employees

If you leave your Government job before becoming eligible for retirement:

Options

- you can ask that your retirement contributions be returned to you in a lump sum payment, or
- you can wait until you are retirement age to apply for monthly retirement benefit payments. This is called a deferred retirement. View the deferred retirement web page.

Payment of a refund of your FERS deductions will permanently eliminate your retirement rights for the period of service that the refund covers. You will not be permitted to pay the money back, even if you are later reemployed in the government. The refunded FERS service cannot be used in computing annuity benefits that you may later become entitled to receive under FERS and it cannot be used in determining the length of service for future annuity eligibility purposes.

If you transferred to FERS and also have service under the CSRS retirement system

When you apply for a refund, OPM will refund all retirement deductions to your credit under both FERS and CSRS. Unlike your FERS refund, you can pay back the amount of the CSRS deductions, plus interest, if you are later reemployed in the Federal Government. When you apply for the refund, you can specify that you only want a refund of your CSRS deductions.

Procedures for having your retirement contributions refunded to you

If you are leaving your Federal job and want a refund of your retirement contributions, you can get an application from your personnel office, complete it, and return it to them. If you are no longer in the Federal service, you can acquire the appropriate application from their website. Application for Refund of Retirement Deductions (FERS), Standard Form (SF) 3106 [415 KB] (The SF-3106A, "Current/Former Spouse's Notification for Refund Retirement Deductions," is included with this form.)

If you have been separated for 30 days or less, submit your application to your servicing personnel office.

If you have been separated more than 30 days, submit your application to the Office of Personnel Management (OPM).

U.S. Office of Personnel Management
Retirement Operations Center
Post Office Box 45
Boyers, PA 16017

Interest payable on the lump sum payment of your retirement contributions

For service under the Federal Employees Retirement System (FERS), you will get interest on the refund of those contributions if you worked more than one year. Interest is paid at the same rate that is paid for government securities. If you had any service under the Civil Service Retirement System (CSRS) while you worked, interest will be included in the refund of those contributions if you have more than one but less than five years of service. Interest is paid at three percent.

Taxability of refund payment

Your retirement contributions are not taxable, but interest included in the payment is taxable. You should contact the Internal Revenue Service for additional tax information.

Rollover of refund payment to IRA or Employer Sponsored Plan

You can roll over lump sum payments representing your retirement contributions, including voluntary contributions, and applicable interest. An eligible payment can be paid either to you or directly to an individual retirement account or other employer sponsored plan. Your choice will affect the amount of taxes you owe.

OPM is required to withhold Federal income tax from taxable payments over $200 at the rate of 20 percent. However, you may choose to take all or part of these payments in a direct rollover to an individual retirement account or an employer-sponsored retirement plan that accepts rollovers. The taxable portion can be rolled over into the Thrift Savings Plan. If you make this election, OPM will not withhold the Federal income tax from the taxable payments. You can open an individual retirement account to receive a direct rollover. You must contact the individual retirement account sponsor to find out how to have your payment made to your account. If you are unsure of how to invest your money, you may wish to temporarily establish an account to receive the payment. However, you may wish to consider whether or not you may move any or all of the monies to another account at a later date without penalties or limitations.

If you choose to have the payment made to you and it is over $200, the taxable portion is subject to the 20 percent Federal income tax withholding. The payment is taxed in the year in which it is received unless within 60 days after receiving it, you roll it over to an individual retirement account or retirement plan that accepts rollovers. You can roll over up to 100 percent of the eligible distribution, including the 20 percent withholding. To do so, you must replace the 20 percent withholding within the 60 day period. You will be taxed on any amount that you do not roll over. For example, if you roll over only the 80 percent of the distribution, you will be taxed on the remaining 20 percent.

You can find more information about the taxation of payments from qualified retirement plans from the following Internal Revenue Service publications:

- IRS Publication 575, "Pension and Annuity Income",
- IRS Publication 590, "Individual Retirement Arrangements",
- IRS Publication 721, "Tax Guide to U.S. Civil Service Retirement System Payments", and
- Form 4972 [312 KB], "Tax on Lump Sum Distributions".

OPM will not withhold any amount for Federal income tax if your total taxable lump sum is less than $200. OPM will request a rollover election when you are eligible for a payment of $200 or more.

Civil Service Retirement System

The Civil Service Retirement Act, which became effective on August 1, 1920, established a retirement system for certain Federal employees. It was replaced by the Federal Employees Retirement System (FERS) for Federal employees who first entered covered service on and after January 1, 1987.

The Civil Service Retirement System (CSRS) is a defined benefit, contributory retirement system. Employees share in the expense of the annuities to which they become entitled. CSRS covered employees contribute 7, 7 1/2 or 8 percent of pay to CSRS and, while they generally pay no Social Security retirement, survivor and disability (OASDI) tax, they must pay the Medicare tax (currently 1.45 percent of pay). The employing agency matches the employee's CSRS contributions.

CSRS employees may increase their earned annuity by contributing up to 10 percent of the basic pay for their creditable service to a voluntary contribution account. Employees may also contribute a portion of pay to the Thrift Savings Plan (TSP). There is no Government contribution, but the employee contributions are tax-deferred. For more information about TSP, see the TSP website.

Eligibility

There are five categories of benefits under the Civil Service Retirement System (CSRS). Eligibility is based on your age and the number of years of creditable service and any other special requirements. In addition, you must have served in a position subject to CSRS coverage for one of the last two years before your retirement. If you meet one of the following sets of requirements, you may be eligible for an immediate retirement benefit. An immediate annuity is one that begins within 30 days after your separation.

Optional

If you leave Federal service before you meet the age and service requirements for an immediate retirement benefit, you may be eligible for deferred retirement benefits. To be eligible, you must have at least 5 years of creditable civilian service and be age 62.

Optional	
Age	**Years of Service**
62	5
60	20
55	30

Special Optional

Special Optional	
Age	**Years of Service**
50	20
Any Age	25

Early Optional

Special Requirements: You must retire under special provisions for air traffic controllers or law enforcement and firefighter personnel. Air traffic controllers can also retire at any age with 25 years of service as an air traffic controller.

Early Optional	
Age	**Years of Service**

50	20
Any Age	25

Discontinued Service

Special Requirements: Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function determined by the Office of Personnel Management. Your annuity is reduced if you are under age 55.

Discontinued Service	
Age	**Years of Service**
50	20
Any Age	25

Disability

Special Requirements: Your separation is involuntary and not a removal for misconduct or delinquency.

Disability	
Age	**Years of Service**
Any Age	5

Special Requirements: You must be disabled for useful and efficient service in your current position and any other vacant position at the same grade or pay level within your commuting area and current agency for which you are qualified. The disability must have onset prior to retirement and should be expected to last for at least one year.

CSRS Creditable Service

Creditable service under CSRS usually includes:

- Federal "covered service", that is, service in which the individual's pay is subject to CSRS retirement deductions, such as service under a career or career conditional appointment,
- Federal service where an employee's pay is not subject to retirement deductions, such as, service under a temporary appointment,
- service for which a specific statue allows credit or allows credit for the service, such as-
  - Peace Corps enrollment
  - Certain pre-1969 National Guard technician service
- Service for which a specific statute allows an individual to be subject to CSRS deductions during his/her employment with a specified entity or under a specific program or type of appointment, such as-
  - Employees of Gallaudet University or D.C. Government, Federal employees who receive assignments under the Intergovernmental Personnel Act, or employees serving as full-time officers or employees of an employee organization.

If Retirement Deductions Were Not Withheld During Service:

Creditable service is not limited to service covered by retirement deductions. It can also include service where an employee's pay is not subject to retirement deductions. In some cases, you must pay back the retirement deductions (plus interest) to credit this service in the computation of your benefit. This repayment amount is called a deposit. If the service was performed before 10/1/82, you do not have to pay back the deductions. Your annuity will be subject to a reduction based on the amount of the unpaid retirement deductions, if you do not pay the deposit.

Deposit: A deposit is the payment of the retirement deductions, plus interest, which would have been withheld from your pay if you had been covered by the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) during a period of employment when retirement deductions were not withheld from your salary. You are not required to make this type of payment.

Deposit for Service Ending before October 1, 1982 and Covered by CSRS: You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed before October 1, 1982 during which retirement deductions were not withheld from your pay. You will receive retirement credit for all of this service whether or not you pay the deposit. However, unless you pay the deposit in full, your annual benefit will be reduced by 10 percent of the deposit amount due at retirement. Also, any annuity due your surviving spouse will be reduced proportionately. Interest is charged from the midpoint of periods of service through the date of the bill. If full payment is received within 30 days after the bill is issued, no additional interest is charged. Otherwise, interest will be computed after each payment at the rate of 3 percent for the interval since the most recent payment you have made. You may pay installments of $50 or more, but paying the full amount minimizes further interest charges. After each payment we will send you an updated account statement.

Deposit for Service Ending after October 1, 1982 and Covered by CSRS: You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed on or after October 1, 1982 during which retirement deductions were not withheld from your pay. Unless you pay the deposit in full, you will not receive credit for the service in your annuity computation. The service will still be used to determine your eligibility to retire, even if you do not make the deposit. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged through December 31 of the year before the year in which the bill is being issued. If full payment is received by December 31 of the year in which the bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time.

If you received a refund of your CSRS retirement deductions

If you received a refund for service that ended on or after October 1, 1990, the service covered by the refund cannot be included in computing your annuity, unless the refund is repaid after you become reemployed. This repayment is called a redeposit. It will still be used toward the service used to qualify for retirement. If you received a refund for service that ended before October 1, 1990, and did not repay the refund, the service will still be credited when you retire, however, it will cause an actuarial reduction in your annuity. The reduction is based on the amount of the redeposit and your age at the time of retirement. This exception to the redeposit requirement does not apply if you retire for disability.

Redeposit: A redeposit is the repayment of retirement deductions that were previously withheld and refunded to you, plus interest. You are not required to make this type of payment.

Redeposit Service Ending before October 1, 1990 and Covered by CSRS: You can repay the refund you received for periods of civilian service ending before October 1, 1990 during which retirement deductions were withheld from your pay and later refunded to you. However, you will receive credit for all of this service whether or not you make the payment (unless you retire under the disability provisions of the law). Your annuity will be subject to a permanent actuarial reduction based on the amount of redeposit and interest due and your age at retirement. The actuarial reduction will not be applied to any annuity due your surviving spouse. You can avoid the reduction by repaying the refund.

If the refund was paid before October 1, 1982, interest is charged up through the billing date. If full payment is received within 30 days after the bill is issued, no additional interest will be charged. Otherwise, interest will be computed after each payment at the rate of 3 percent for the interval since the most recent payment.

If the refund was paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rates described in the table.

Redeposit Service ending on/after October 1, 1990 and Covered by CSRS: You can repay the refund you received for periods of civilian service ending on or after October 1, 1990, during which retirement deductions were withheld from your pay and later refunded to you. Unless you pay the redeposit in full, you will not receive credit for this service in the computation of your annuity. Consequently, your annuity, as well as any annuity due your surviving spouse, will be reduced. For refunds paid on or after October 1, 1982, interest is compounded annually and charged

through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time.

Making Payment to Get Credit for Service:

You should apply to make a deposit or redeposit payment by completing a Standard Form 2803 "Application to Make Deposit or Redeposit/CSRS".

If you are a Federal employee:

- Send your completed application to your department or agency because they must certify it. Please do not file an application if you plan to retire within six months. OPM will give you an opportunity to make payment when it computes our annuity.

If you are not currently a Federal employee:

- Send your completed application directly to:

  OPM
  Retirement Operations Center
  Deposit Section
  P.O. Box 45
  Boyers, PA 16017-0045

If you are within six months of retirement:

Submit your request to make the deposit or redeposit at the same time you submit your application for retirement. OPM will notify you of any amounts due so you can decide whether or not to make the payment. OPM cannot, however, authorize your regular annuity payments until OPM has your decision about the payment.

CSRS Military Service

Credit for Military Service:

As a general rule, military service in the Armed Forces of the United States is creditable for retirement purposes if it was active service terminated under honorable conditions, and performed prior to your separation from civilian service for retirement.

Service Performed Before 1957:

- creditable without deposit

Service Performed on or after January 1, 1957:

- normally creditable for Social Security benefits at age 62
- a deposit may be due to credit the service.

If you were first employed before October 1, 1982, you can either:

- Make a 7 percent deposit for post-1956 military service, thereby avoiding a reduction in your annuity at age 62, or
- Not make the deposit and have your annuity reduced at age 62 if you are then eligible for Social Security benefits.

If you were first hired by the Federal Government on or after October 1, 1982, you must:

- Make the deposit or receive no credit at all for military service, including eligibility to retire.

Military deposits include interest unless they are paid within a grace period. Payments must be made to your employing agency before you separate. They cannot be paid to the U.S. Office of Personnel Management.

FERS Civilian Service

Creditable service under FERS usually includes:

- Federal "covered service", that is, service in which the individual's pay is subject to CSRS retirement deductions, such as service under a career or career conditional appointment,
- Federal service performed before 1989, where an employee's pay is not subject to retirement deductions, such as, service under a temporary appointment, as long as a deposit is paid. There are a few exceptions to the rule that the service must have been performed before 1989. The only exceptions are:
    - U.S. Senate Child Care Center service
    - Peace Corps/VISTA service
    - service under the Foreign Service Pension System (FSPS)
    - service performed before 12/31/90 with the Democratic or Republican Senatorial Campaign Committee or the Democratic or Republican National Congressional Committee, and
    - service with the Library of Congress Child Development Center prior to 12/21/00

Deposit: A deposit is the payment of the retirement deductions, plus interest, which would have been withheld from your pay if you had been covered by the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) during a period of employment when retirement deductions were not withheld from your salary. You are not required to make this type of payment.

Retirement Deductions Never Withheld:

Generally, non-deduction service cannot be credited unless it was performed before 1989 and a deposit is made.

Deposit for Service Ending before January 1, 1989 and Covered by FERS: You can make a deposit for creditable Federal Employees Retirement System (FERS) service you performed before 1989 during which retirement deductions were not withheld from your pay. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged to the date the deposit is paid in full or annuity begins, whichever is earlier. Interest is applied at the rates described in the table below. If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit.

Deposit for Service Ending after January 1, 1989 and Covered by FERS: With certain minor exceptions, a Federal Employees Retirement System (FERS) employee cannot make a deposit for non-contributory service performed after January 1, 1989.

Redeposit: A redeposit is the repayment of retirement deductions that were previously withheld and refunded to you, plus interest.

Refunds:

Refund Received after FERS Coverage Began:

If you receive a refund of FERS deductions after the effective date of your FERS coverage, you can never redeposit these funds, and the period covered by the refund will not be creditable for the purposes of entitlement or computation of your annuity.

Refund Received Before FERS Coverage Began:

You can repay any refund you received for any period of civilian service during which retirement deductions were withheld from your pay and later returned to you before you were covered by Federal Employees Retirement System

(FERS). Interest is charged from the date of the refund and compounded annually. Interest is charged to the date full payment is made or the date annuity begins, whichever is earlier. Click here for interest rates. If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit.

Making Payment to Get Credit for Service:

You should apply to make a payment by completing a Standard Form 3108 (Application to Make Service Credit Payment/FERS).

If you are a Federal employee:

- Send your completed application to your department or agency because they must certify it. Please do not file an application if you plan to retire within six months. OPM will give you an opportunity to make payment when it computes our annuity.

If you are not currently a Federal employee:

- Send your completed application directly to:

  OPM
  Retirement Operations Center
  Deposit Section
  P.O. Box 45
  Boyers, PA 16017-0045

If you are within six months of retirement:

- Submit your request to make the deposit or redeposit at the same time you submit your application for retirement. OPM will notify you of any amounts due so you can decide whether or not to make the payment. OPM cannot, however, authorize your regular annuity payments until OPM has your decision about the payment.

FERS Military Service

Credit for Military Service:

As a general rule, military service in the Armed Forces of the United States is creditable for retirement purposes if it was active service terminated under honorable conditions, and performed prior to your separation from civilian service for retirement.

Service Performed Before 1957:

- creditable without deposit

Service Performed on or after January 1, 1957:

- a deposit must be paid to credit the service to establish title to an annuity or to compute your annuity

Exception for individuals with a portion of their FERS annuity computed under CSRS rules:

If your military service was performed before the effective date of your FERS coverage, the military service will be credited under CSRS rules.

Computation

Your basic annuity is computed based on your length of service and "high-3" average salary. You also receive credit for unused sick leave if you retire on an immediate annuity. To determine your length of service for computation, add all your periods of creditable service, and the period represented by your unused sick leave, then eliminate any fractional part of a month from the total.

High-3 Average Salary

Your "high-3" average pay is the highest average basic pay you earned during any 3 consecutive years of service. These three years are usually your final three years of service, but can be an earlier period, if your basic pay was higher during that period. Your basic pay is the basic salary you earn for your position. It includes increases to your salary for which retirement deductions are withheld, such as shift rates. It does not include payments for overtime, bonuses, etc.

Computation

Here is how the CSRS annuity formula is calculated:

CSRS Annuity Formula	
Years of Service	***What You Receive***
First 5 years of service	1.5 percent of your high-3 average salary for each year
Second 5 years of service	**Plus** 1.75 percent of your high-3 average salary for each year
For all years of service over 10	**Plus** 2 percent of your high-3 average salary for each year.

Reductions in Annuity

Your annuity will be reduced if:

-
- You retire before age 55 (unless you retire for disability or under the special provisions for law enforcement officers, air traffic controllers, and firefighters); your annuity will be reduced by one-sixth of 1 percent for each full month you are under age 55.
-
- You didn't make a deposit for service performed prior to October 1, 1982, during which no deductions were taken from your pay (non-deduction service after that date is not used in the computation of benefits if the deposit is not paid);
- You didn't make a redeposit of a refund for a period of service that ended before October 1, 1990;
- You provide for a survivor.
    - To provide a full survivor benefit for your current or former spouse, your annuity will be reduced by 2.5 percent of the first $3,600, plus 10 percent of the annuity over $3,600.
    - To provide a survivor annuity for a person who has an "insurable interest" in you, your annuity would be reduced from 10 to 40 percent, depending on the difference in your age and the age of the person named.

Cost of Living Adjustments

Your annuity will be increased periodically by cost-of-living increases that occur after your retire. Your initial cost-of-living increase will be prorated based on how long you have been retired when that cost-of-living increase is granted.

Maximum Payable

The maximum benefit you can receive from CSRS is 80 percent of your high-3 average salary, plus credit for your sick leave. This limit generally affects only those who have more than 41 years of service when they retire.

Special Computation for Law Enforcement Officers, Firefighters and Nuclear Materials Couriers

CSRS Annuity Formula **If retired under the special provision for firefighters, law enforcement officers, or nuclear material couriers**	
Years of Service	***What You Receive***
First 20 years of CSRS law enforcement officer, firefighter and/or nuclear material courier service	2.5% of your high-3 average salary for each year
All remaining CSRS service	**Plus** 2% of your high-3 average salary for each year

Disability Retirement Computation

If you retire for disability, you may be guaranteed a minimum annuity equal to the smaller of:

- 40 percent of your "high-3 average salary", or
- the regular annuity obtained after increasing your service by the time between your retirement and your 60th birthday.

The guaranteed minimum applies if you are under age 60 when you retire and your earned annuity based on your actual service is less than this minimum.

Exception:

The guaranteed minimum does not apply if you are receiving military retired pay and/or compensation from the Veterans Administration in lieu of all or part of the military retired pay. However, if your earned annuity plus your military benefit (or compensation) is less than what it would have been under the guaranteed minimum, the annuity is increased to bring it up to that level.

Disability

When to Consider Applying for Disability Retirement

You should consider applying for disability retirement only after you have provided your employing agency with complete documentation of your medical condition and your agency has exhausted all reasonable attempts to retain you in a productive capacity, through accommodation or reassignment.

Eligibility Requirements for CSRS Disability

You must meet all of the following conditions to be eligible for disability retirement:

- You must have completed at least five years of creditable Federal civilian service.
- You must, while employed in a position subject to CSRS, have become disabled, because of disease or injury, for useful and efficient service in your current position. (Useful and efficient service means fully successful performance of the critical or essential elements of the position-or the ability to perform at that level-and satisfactory conduct and attendance.)
- The disability must be expected to last at least one year.
- Your agency must certify that it is unable to accommodate your disabling medical condition in your present position and that it has considered you for any vacant position in the same agency, at the same grade or pay level, and within the same commuting area, for which you are qualified for reassignment.
- You, or your guardian or other interested person, must apply before your separation from service or within one year of your separation. The application must be received by OPM within one year from the date of your separation. This time limit can be waived only in instances involving incompetency.

Applying for Disability Retirement

To apply for CSRS disability retirement:

- Complete SF 2801, Application for Immediate Retirement, and
- SF 3112, Documentation in Support of Disability Retirement.

If you are still employed or have been separated from your employing agency for 31 days or less:

Your employing agency may help you complete these forms and if you are still on the agency payroll, will forward the completed forms to OPM. However, it is your responsibility to obtain all the information necessary for OPM to make a decision on your claim. This includes providing all of the required forms and documentation.

If you are covered by the CSRS Offset Retirement System:

You must document that you applied for Social Security disability benefits after you separated from your agency. OPM cannot pay you a disability retirement without this information.

If you have been separated from Federal service for more than 31 days:

Your application for disability retirement must be received by OPM within one year after the date of your separation. If you have been separated from Federal service for more than 31 days, your former employing agency may no longer have your personnel records and may not be able to recover them in time to process your disability retirement application and submit it to OPM within the one-year time limit. Therefore, you should submit your application directly to OPM rather than to your agency.

- Ask your former supervisor and employing agency to complete SF 3112B, SF 3112D and SF 3112E and give them to you so you can send them to OPM.
- If you think you will not have the completed package in time to meet the one-year time limit, send OPM the completed SF 2801 and SF 3112A, along with the name, address and telephone number of the person(s) you have asked to complete the remaining forms.

Periodic Medical Exams to Keep Your Disability Benefit

When OPM approves your application for disability retirement, OPM may determine that based on your medical condition you will periodically have to provide them with current medical information in order to continue receiving benefits.

Paying for periodic medical exams

You are responsible for paying for any medical exams that are needed. If you do not fulfill the request for evidence of continuing disability, it is likely that your benefit payments could be suspended until your continuing eligibility is established.

Changing Your Retirement to Disability Retirement

You can submit an application for disability retirement within one year after your separation from employment provided you did not elect the alternative form of annuity with a lump sum payment equal to your retirement contributions. You and your former employing agency must submit evidence that shows you became disabled while employed in a position subject to FERS coverage, and you and your agency must provide evidence that you were unable to perform useful and efficient service because of disease or injury in the position you retired from. Your former agency will also have to certify that it could not reasonably accommodate your condition. Moreover, you must not have declined an offer of reassignment to a vacant position in the commuting area at the same grade or pay level and tenure.

Termination of CSRS Disability Benefit

If you are under age 60, your benefit will stop if:

- You are found to be medically recovered from your disabling condition;
- In any calendar year your income from wages and self-employment is at least 80 percent of the current rate of basic pay from the position you retired from (also known as restoration to earning capacity); or
- You are reemployed in the Federal service in a position equivalent to what you held at retirement (also called "administratively recovered").

Reinstatement of Disability Benefit if it Stops

- If your disability benefit stopped because you were found recovered either medically or administratively, your benefit can resume only if the disability recurs and you do not exceed the 80 percent earnings limitation.
- If your disability stopped because you exceeded the earnings limitation, your benefit can resume effective the first of the year after you no longer exceed the 80 percent earnings limit.

Disability Retirement Computation

You are entitled to an "earned" annuity computed under the CSRS general formula. However, the law guarantees a minimum annuity to employees who retire because of disability. The guaranteed minimum applies if you are under age 60 when you retire and your earned annuity based on your actual service is less than this minimum.

The guaranteed minimum is the lesser of the following:

- 40 percent of your "high-3 average salary", or
- the regular annuity obtained after increasing your service by the time between your retirement and your 60th birthday.

Exception:

The guaranteed minimum does not apply if you are receiving military retired pay and/or compensation from the Veterans Administration in lieu of all or part of the military retired pay. However, if your earned annuity plus your military benefit (or compensation) is less than what it would have been under the guaranteed minimum, the annuity is increased to bring it up to that level.

Reductions in Disability Annuity

Your basic annual disability annuity will be reduced for:

Survivor Benefits

If you are married, your benefit will be reduced for a survivor benefit, unless your spouse consented to your election of less than a full survivor annuity. It will also be reduced if a former spouse survivor benefit is required by a court order.

Unpaid Service

If you have creditable civilian service performed before October 1, 1982, during which no retirement deductions were withheld from your salary and for which you have not paid a deposit, your annuity will be reduced. The annual reduction is 10 percent of the total deposit due. Non-deduction service performed on or after October 1, 1982, cannot be used to compute your annuity unless the deposit is made in full.

Refunded Service

If you had creditable civilian service for which you took a refund, but did not pay a redeposit, the service cannot be used in the computation of your annuity.

CSRS Offset

If you had service that was subject to withholding for both the Civil Service Retirement System (CSRS) and Social Security, you are subject to a reduction in your annuity if the Social Security Administration (SSA) can pay you a benefit based on the portion of your Federal service which was under both systems. This is called "CSRS Offset" service.

Cost of Living Adjustments for CSRS Disability Retirees

Your disability annuity will be increased by cost-of-living (COLA) increases that occur after you retire. Your first COLA increase will be prorated based on how long you have been retired when that COLA is granted.

Entitlement to Other Benefits-Effect on CSRS Disability Benefit:

Social Security Benefits

If you had service that was subject to withholding for both the Civil Service Retirement System (CSRS) and Social Security, you are subject to a reduction in your annuity if the Social Security Administration (SSA) can pay you a benefit based on the portion of your Federal service which was under both systems. This is called "CSRS Offset" service.

Receipt of disability benefits from the Office of Personnel Management and total or partial disability benefits from the U.S. Department of Labor, Office of Workers' Compensation Programs (OWCP) at the same time
Generally, you must decide which benefit is most advantageous for you and elect to receive that one. If you decide you want to receive Office of Workers' Compensation Programs (OWCP) benefits, payments from the Office of Personnel Management will be suspended. However, if your OWCP benefits stop, you can ask us to pay your CSRS disability benefit. You can receive an OWCP "Scheduled Award" and the Office of Personnel Management benefits at the same time.

Early Retirement

Early Optional Retirement

If your agency undergoes a major reorganization, reduction in force, or transfer of function, and a significant percentage of the employees will be separated, or will be reduced in pay, the head of your agency can ask the U.S. Office of Personnel Management (OPM) to permit early optional retirement for eligible employees.
If your agency gets approval to permit early optional retirements, eligible employees will be notified of the opportunity to retire voluntarily.

Discontinued Service Retirement Because of an Involuntary Separation

The term "involuntary separation" means any separation against the will and without the consent of the employee, other than "for cause" for misconduct or delinquency. The most common cause of an involuntary separation is a reduction in force. Another frequent cause for an involuntary separation is when the location of an office or unit is moved to an area outside the commuting area of the old worksite*. Employees who decline reasonable offers of other positions are not eligible for discontinued service annuities.

*Exception: If, when you accepted your current position, you were placed under a general mobility agreement whereby you would be subject to geographic reassignment, you would not be eligible for discontinued service annuity rights if your position is moved to an area outside the commuting area.

If your agency:

- makes you a reasonable offer and you choose to decline the offer and resign, you will not qualify for discontinued service retirement, or

separates you by adverse action procedures for not complying with a directed reassignment to a position that is a "reasonable offer", your separation would not be qualifying for discontinued service.

Reasonable Offer

- Written offer of another position in your agency and commuting area for which you are qualified, and
- Which is no more than two grades or pay levels below your current grade or pay level.

Commuting Area

Geographic area that usually constitutes one area for employment purposes. It includes any population center (or two or more neighboring ones) and the surrounding localities in which people live and reasonably can be expected to travel back and forth daily in their usual employment.

Eligibility Requirements for Early Optional Retirement and Discontinued Service Retirement Because of an Involuntary Separation

CSRS Annuity Formula	
Age	***Years of Service***
Any	25

At least 5 years of your service must be civilian service, and you must have been employed under the Civil Service Retirement System for at least 1 year out of the last 2 years preceding retirement.

Annuity Computation

Here is how the CSRS annuity formula is calculated:

CSRS Annuity Formula	
Years of Service	***What You Receive***
First 5 years of service	1.5 percent of your high-3 average salary for each year
Second 5 years of service	*Plus* 1.75 percent of your high-3 average salary for each year
For all years of service over 10	*Plus* 2 percent of your high-3 average salary for each year.

Reductions in Annuity

Your annuity will be reduced if:

- You retire before age 55 (unless you retire for disability or under the special provisions for law enforcement officers, air traffic controllers, and firefighters). Your annuity will be reduced by one-sixth of 1 percent for each full month (2 percent a year) you are under age 55.
- You didn't make a deposit for service performed prior to October 1, 1982, during which no deductions were taken from your pay (non-deduction service after that date is not used in the computation of benefits if the deposit is not paid);
- You didn't make a redeposit of a refund for a period of service that ended before October 1, 1990;
- You provide for a survivor.
    - To provide a full survivor benefit for your current or former spouse, your annuity will be reduced by 2.5 percent of the first $3,600, plus 10 percent of the annuity over $3,600.
    - To provide a survivor annuity for a person who has an "insurable interest" in you, your annuity would be reduced from 10 to 40 percent, depending on the difference in your age and the age of the person named.

Voluntary

Eligibility is based on your age and the number of years of creditable service and any other special requirements. In addition, you must have served in a position subject to CSRS coverage for one of the last two years before your

retirement. If you meet one of the following sets of requirements, you may be eligible for a voluntary immediate retirement benefit. An immediate annuity is one that begins within 30 days after your separation.

Type of Retirement	Minimum Age	Minimum Service	Special Requirements
Voluntary (Optional)	62	5	Subject to CSRS coverage for one of the last two years before your retirement
	60	20	Subject to CSRS coverage for one of the last two years before your retirement
	55	30	Subject to CSRS coverage for one of the last two years before your retirement
	50	20	You must retire under special provisions for air traffic controllers or law enforcement and firefighter personnel. Air traffic controllers can also retire at any age with 25 years of service as an air traffic controller. Subject to CSRS coverage for one of the last two years before your retirement
	Any Age	25	
	50	20	Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function determined by the Office of Personnel Management. Your annuity is reduced if you are under age 55. Subject to CSRS coverage for one of the last two years before your retirement
	Any Age	25	

Deferred

If you are a former Federal employee who was covered by the Civil Service Retirement System (CSRS), you may be eligible for a deferred annuity at age 62.

Age and Service Requirement for Deferred Retirements

You are eligible for a deferred annuity if you meet the following age and service requirements:

Type of Retirement	Minimum Age	Minimum Service	Special Requirements
Deferred	62	5 years of civilian service	• Covered by the Civil Service Retirement law for at least 1 year out of the last 2 years preceding the final separation on which your entitlement is based. • Did not receive a refund of retirement deductions covering your final period of service

Health Benefits and Life Insurance Coverage

If you receive a deferred annuity, you are not eligible to continue any health benefits and life insurance coverage you had while employed.

Commencing Date of Deferred Retirement

The deferred annuity commences on your 62nd birthday, no matter when you apply for it.

Survivor Benefits

If you are married when your annuity begins, it will be computed with a reduction to provide maximum survivor benefits (55% of your unreduced annuity) for your spouse upon your death. You can elect to provide a partial survivor benefit (less than 55% of your unreduced annuity) or no survivor benefits; however, you must get your spouse's consent to elect either of these options. You can also elect a survivor annuity for a former spouse or an insurable interest survivor benefit.

Computation of Deferred Benefit

Your deferred annuity is based on the length of service and high-3 average salary in effect when you separated from Federal service. In the years between the date of separation and age 62, the average salary is not adjusted by any intervening cost-of-living adjustments. Your accrued and unused sick leave balance at the time of your separation is not creditable for eligibility or computation purposes in a deferred retirement.

Applying for Deferred Benefit

Form to Use:

Use OPM Form 1496A, Application for Deferred Retirement, to apply for deferred retirement benefits under the Civil Service Retirement System.

When to Apply:

Send your application to OPM approximately 60 days before your 62nd birthday. Send your completed application to:

U.S. Office of Personnel Management
Retirement Operations Center
Post Office Box 45
Boyers, PA 16017

If You Die Before Applying for a Deferred Annuity

No survivor annuity is payable to a former employee's spouse, former spouse, or children if the former employee has title to a deferred annuity but dies before reaching age 62, or reaches age 62, but dies before filing an application for CSRS retirement. The only benefit payable in either case would be a lump-sum payment of the former employee's retirement contributions, without interest.

Service Credit

If you:

- Performed CSRS service where no retirement deductions were withheld from your pay, or
- Received a refund of your retirement deductions

You can pay that money back to the retirement system. Payment generally affects the amount of your retirement.

If retirement deductions were not withheld during the period of service:

You can pay a deposit for the service. A deposit is the payment of the retirement deductions, plus interest that would have been withheld from your pay if you had been covered by the Civil Service Retirement System (CSRS) during a period of employment when retirement deductions were not withheld from your salary. You are not required to make this type of payment.

Deposit for Service Ending before October 1, 1982 and Covered by CSRS:

You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed before October 1982 during which retirement deductions were not withheld from your pay. You will receive retirement credit for all of this service whether or not you pay the deposit. However, unless you pay the deposit in full, your annual benefit will be reduced by 10 percent of the deposit amount due at retirement. Also, any annuity due your surviving spouse will be reduced proportionately. Interest is charged from the midpoint of periods of service through the date of the bill. If full payment is received within 30 days after the bill is issued, no additional interest is charged. Otherwise, interest will be computed after each payment at the rate of 3 percent for the interval since the most recent payment you have made.

You may pay installments of $50 or more, but paying the full amount minimizes further interest charges. After each payment OPM will send you an updated account statement.

Deposit for Service Ending on/after October 1, 1982 and Covered by CSRS:

You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed on or after October 1982 during which retirement deductions were not withheld from your pay. Unless you pay the deposit in full, you will not receive credit for the service in the computation of your annuity. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged through December 31 of the year before the year in which the bill is being issued. If full payment is received by December 31 of the year in which the bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rates described in the table below.

If retirement deductions were withheld from your pay and later refunded to you:

You can pay a redeposit for the service. A redeposit is the repayment of retirement deductions that were previously withheld and refunded to you, plus interest.

Redeposit Service Ending before October 1990 and Covered by CSRS:

You can repay the refund you received for periods of civilian service ending before October 1990 during which retirement deductions were withheld from your pay and later refunded to you. However, you will receive credit for all of this service whether or not you make the payment (unless you retire under the disability provisions of the law). Your annuity will be subject to permanent actuarial reduction based on the amount of redeposit and interest due and your age at retirement. The actuarial reduction will not be applied to any annuity due your surviving spouse. You can avoid the reduction by repaying the refund.

If the refund was paid before October 1, 1982, interest is charged up through the billing date. If full payment is received within 30 days after the bill is issued, no additional interest will be charged. Otherwise, interest will be computed after each payment at the rate of 3 percent for the interval since the most recent payment.

If the refund was paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rates described in the table.

Redeposit Service Ending on/after October 1990 and Covered by CSRS:

You can repay the refund you received for periods of civilian service ending on or after October 1, 1990, during which retirement deductions were withheld from your pay and later refunded to you. Unless you pay the redeposit in full, you will not receive credit for this service in the computation of your annuity. Consequently, your annuity, as well as any annuity due your surviving spouse, will be reduced. For refunds paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rated described in the table.

Procedures for Paying a Deposit or Redeposit:

You should apply to make a payment by completing a Standard Form 2803 , (Application to Make Deposit or Redeposit). If you are within six months of retirement, you should submit your request to make the deposit or redeposit at the same time you submit your application for retirement. You can use a form or letter to do this. OPM will notify you of any amounts due so you can decide whether or not to make the payment. OPM cannot, however, authorize your regular annuity payments until they have your decision about the payment.

Former Employees

If you leave your Government job before becoming eligible for retirement

Options:

- You can ask that your retirement contributions be returned to you in a lump sum payment, or
- If you have five or more years of civilian service, you can wait until you are retirement age to apply for monthly retirement benefit payments. This is called a deferred retirement. For detailed information about deferred retirement, click on the following link: CSRS Deferred Retirement

If you get a refund of your retirement contributions now, you will no longer be eligible to receive monthly payments when you reach retirement age, unless you are later reemployed subject to the Civil Service Retirement System or the Federal Employees Retirement System. Refer to information about retirement eligibility.

Procedures for having your retirement contributions refunded to you:

If you are leaving your Federal job and want a refund of your retirement contributions, you can get an application from your personnel office, complete it, and return it to them. If you are no longer in the Federal service, you can acquire the appropriate application from our website. The application is shown below:

"Application for Refund of Retirement Deductions (CSRS)," Standard Form (SF) 2802

Interest payable on the lump sum payment of your retirement contributions

For service under the Civil Service Retirement System, interest will be included in the refund of those contributions if you have more than one but less than five years of service. Interest is paid at three percent.

Taxability of refund payment

Your retirement contributions are not taxable, but interest included in the payment is taxable. You should contact the Internal Revenue Service for additional tax information.

Rollover of refund payment to IRA or Employer Sponsored Plan

You can roll over lump sum payments representing your retirement contributions, including voluntary contributions, and applicable interest. An eligible payment can be paid either to you or directly to an individual retirement account or other employer sponsored plan. Your choice will affect the amount of taxes you owe. OPM is required to withhold Federal income tax from taxable payments over $200 at the rate of 20 percent. However, you may choose to take all or part of these payments in a direct rollover to an individual retirement account or an employer-sponsored retirement plan that accepts rollovers. The taxable portion can be rolled over into the Thrift Savings Plan. If you make this election, OPM will not withhold the Federal income tax from the taxable payments.

You can open an individual retirement account to receive a direct rollover. You must contact the individual retirement account sponsor to find out how to have your payment made to your account. If you are unsure of how to invest your money, you may wish to temporarily establish an account to receive the payment. However, you may wish to consider whether or not you may move any or all of the monies to another account at a later date without penalties or limitations.

If you choose to have the payment made to you and it is over $200, the taxable portion is subject to the 20 percent Federal income tax withholding. The payment is taxed in the year in which it is received unless within 60 days after receiving it, you roll it over to an individual retirement account or retirement plan that accepts rollovers. You can roll over up to 100 percent of the eligible distribution, including the 20 percent withholding. To do so, you must replace the 20 percent withholding within the 60 day period. You will be taxed on any amount that you do not roll over. For example, if you roll over only the 80 percent of the distribution, you will be taxed on the remaining 20 percent.

OPM will not withhold any amount for Federal income tax if your total taxable lump sum is less than $200. OPM will request a rollover election when you are eligible for a payment of $200 or more.

Federal Long-Term Care Insurance Program

Long term care insurance coverage is designed to cover services you need when you are unable to perform certain activities of daily living or need care due to a severe cognitive impairment. The long term care insurance provided under the Federal Long Term Care Insurance Program (FLTCIP) is designed to provide reimbursement for costs of necessary diagnostic, preventive, therapeutic, curative, rehabilitative, maintenance, or personal care services, provided in a setting such as an assisted living facility, a nursing home, an adult day care center, or your home, but not in an acute care unit of a hospital.

The FLTCIP provides reimbursement, based on the Daily Benefit Amount you select, for actual charges you incur for covered long term care expenses, subject to the limitations, exclusions, and waiting period described in this outline.

Who is Eligible to Apply for this Insurance?

Many members of the Federal family are eligible to apply for coverage under the Federal Long Term Care Insurance Program (FLTCIP) including Federal and U.S. Postal Service employees and annuitants, active and retired members of the uniformed services, and qualified relatives. Check the lists below to see if you are eligible to apply for coverage:

Employees

- Federal employees in positions that convey eligibility for the Federal Employees Health Benefits Program (whether or not they are actually enrolled in FEHB)
- U.S. Postal Service (USPS) employees in positions that convey eligibility for the Federal Employees Health Benefits Program (whether or not they are actually enrolled in FEHB)
- Active Members of the Uniformed Services who are on active duty or full-time National Guard duty for more than 30 days
- Active Members of the Selected Reserve (Members of the Individual Ready Reserve are NOT eligible to apply)
- Tennessee Valley Authority employees (even though they may not be eligible for FEHB coverage)
- D.C. Government employees first employed by the D.C. Government on or before October 1, 1987
- D.C. Courts employees
- Navy Personnel Command (BUPERS) NAF employees

Annuitants

- Federal or USPS annuitants, including survivor and deferred annuitants
- Retired Members of the Uniformed Services who are entitled to retired or retainer pay
- Retired "Grey" Reservists, even if they are not yet receiving their retired pay
- Separated employees with title to a deferred annuity, even if they are not yet receiving that annuity
- Tennessee Valley Authority annuitants
- Compensationers receiving compensation from the Department of Labor
- D.C. Government annuitants first employed by the D.C. Government before October 1, 1987
- D.C. Courts annuitants
- Navy Personnel Command (BUPERS) NAF annuitants

Qualified Relatives

If you are a qualified relative as described below, you can apply even if the person you are related to does not apply, or even if the person you are related to applies but is not approved for coverage.

- Spouses of employees listed above
- Spouses of annuitants listed above

- Same-sex domestic partners of Federal or U.S. Postal Service employees or annuitants who have submitted (either directly or through their partner) a form affirming this status to the partner's employing agency or retirement system. This does not include a same-sex domestic partner of an active or retired member of the uniformed services.
- Surviving spouses of active and retired members of the uniformed services who are receiving a Federal survivor annuity or who received a basic employee death benefit under the Federal Employees Retirement System. Your qualified relatives are also eligible to apply.
- Parents, parents-in-law, and stepparents of living employees listed above (Parents, parents-in-law, and stepparents of annuitants and retired members of the uniformed services are NOT eligible)
- Adult children (at least 18 years old, including adopted or step children) of living employees or annuitants listed above

Effective Date of Coverage and Actively at Work Requirement

Coverage under the Federal Long Term Care Program (FLTCIP) becomes effective on the first day of the month after the month in which you are approved. For example, if you are approved for coverage on April 15, your coverage becomes effective May 1. However, Employees and Members of the Uniformed Services who apply using the abbreviated underwriting application or the abbreviated underwriting section of the coverage change application must meet the actively at work requirement described below in order for their coverage to become effective.

If you are an Employee or a Member of the Uniformed Services who submitted an abbreviated underwriting application, you must be Actively at Work at least one day during the calendar week immediately prior to the week which contains the Original Effective Date shown on your Schedule of Benefits. From time to time, OPM may implement revised 'Actively at Work' requirements for specified periods under the FLTCIP. For example, revised actively at work requirements apply to the effective date of a change to FLTCIP 2.0 for enrollees in FLTCIP 1.0 who apply using the abbreviated underwriting section of the coverage change application during the special decision period.

You must inform FLTCIP if you do not meet this requirement. In the event you do not meet this requirement, FLTCIP will issue you a revised Original Effective Date, which will be the 1st day of the next month. You also must meet the Actively at Work requirement for any revised Original Effective Date for coverage to become effective, or you will be issued another revised Original Effective Date in the same manner. You must notify FLTCIP if you are not Actively at Work on your new Original Effective Date. In this case, your coverage will not go into effect until you are Actively at Work as required above.

Your Original Effective Date does not change under this Actively at Work requirement if you were involuntarily separated from Federal civilian service (for reasons other than your misconduct) or from the uniformed services (except for a dishonorable discharge) after your application date but before your Original Effective Date.

Actively at work means:

- for an Employee, that you meet all of the following conditions:
  - you are reporting for work at an approved location and work at least ½ of your regularly scheduled hours for that day location; and
  - you are able to perform all the usual and customary duties of your employment on your regular work schedule;

- for a Member of the Uniformed Services, that you are on active duty and are physically able to perform the duties of your position.

Benefits Provided by the FLTCIP

Covered Services

Covered Services under the FLTCIP are those you receive while in a Nursing Home, Assisted Living Facility, or Hospice facility, plus Covered Services you receive at home or an Adult Day Care Center. Coverage also includes Informal Caregiver services, Hospice Care, Respite Care, Bed Reservations and a Stay-At-Home Benefit which covers expenses for care planning visits, home modifications, emergency medical response systems, durable medical equipment, caregiver training, and home safety checks.

FLTCIP will only pay benefits for covered services if:

- you are eligible for benefits and, where required, have satisfied the waiting period; and
- they are part of a written plan of care approved by FLTCIP.

Benefit Amounts

You may select a Daily Benefit Amount from $100-$450 in $50 increments. Your Daily Benefit Amount determines the most FLTCIP will pay per day for covered services. It also determines your Maximum Lifetime Benefit – see the Maximum Lifetime Benefit subsection for more information.

The FLTCIP provides reimbursement for actual charges you incur for covered services up to the following percentages:

Covered Services	Daily Reimbursement Up To
Nursing home, assisted living facility, or hospice facility	100% of your Daily Benefit Amount
Bed reservations	100% of your Daily Benefit Amount benefits limited to 60 days per calendar year and will be reduced by any days you received Bed Reservation Benefits under any prior FLTCIP Benefit Booklet
Home care and adult day care	100% of your Daily Benefit Amount
Respite services	100% of your Daily Benefit Amount benefits limited to 30 times your Daily Benefit Amount per calendar year and will be reduced by any benefits you received for Respite Services under any prior FLTCIP Benefit Booklet
Formal caregiver services	100% of your Daily Benefit Amount
Informal caregiver services	• 100% of your Daily Benefit Amount • benefits for informal caregiver services are limited to those individuals who did not normally live in your home at the time you became eligible for benefits • benefits for care provided by family members are limited to 500 days in your lifetime and will be reduced by any benefits you received for informal caregiver services provided by family members under any prior FLTCIP Benefit Booklet.
Hospice care at home	100% of your Daily Benefit Amount
Stay-At-Home Benefit	30 times your Daily Benefit Amount

Maximum Lifetime Benefit

The benefit period is the length of time your coverage will last if FLTCIP pays your Daily Benefit Amount each and every day. You may choose from a 2 year, 3 year, 5 year or unlimited benefit period. If you have a 2, 3 or 5 year benefit period, benefits will last longer than the benefit period if you do not receive covered services every day or if benefits paid for each day are less than your Daily Benefit Amount.

Your Maximum Lifetime Benefit is the total amount of money that FLTCIP may pay for charges you incur for covered services. It is equal to your benefit period (in days) multiplied by your Daily Benefit Amount. Your Maximum Lifetime Benefit will be reduced by the amount of benefits that FLTCIP pays, except for the Stay-at-Home Benefit. If you have an unlimited benefit period, your Maximum Lifetime Benefit is also unlimited.

Your Maximum Lifetime Benefit will be reduced by any benefit payments made under any prior Benefit Booklet issued to you under the FLTCIP.

Schedule of Benefits

Your Schedule of Benefits that FLTCIP will send you will show, among other things, the covered services, the maximum FLTCIP will pay for those services per day, the benefit period, the waiting period, and your Maximum Lifetime Benefit.

Stay-At-Home Benefit

FLTCIP will pay actual charges you incur for Stay-At-Home Services up to the Stay-At-Home Lifetime Benefit Amount. The Stay-At-Home Lifetime Benefit Amount is equal to 30 times your Daily Benefit Amount. The waiting period does not apply to the Stay-At-Home Benefit. Except for Care Planning Visits, you must be living at Home in order to be eligible for the Stay-At-Home Benefit. Stay-At-Home Services consist of expenses for:

- Care Planning Visits;
- Home Modifications;
- Emergency Medical Response Systems;
- Durable Medical Equipment;
- Caregiver Training; and
- Home Safety Checks.

The maximum amount payable in your lifetime for Caregiver Training will be 7 times your Daily Benefit Amount. Benefits paid under the Stay-At-Home Benefit will not reduce your Maximum Lifetime Benefit. If you do not exhaust your Stay-At-Home Benefit initially, you may use any unused portion of this benefit amount for future Stay-At-Home Services and new episodes of care. You may receive the services of a Formal Caregiver or an Informal Caregiver, or Hospice Care at Home while receiving benefits under the Stay-At-Home Benefit.

International Benefits

The FLTCIP provides benefits for covered services you receive outside the United States, its territories and possessions (collectively referred to as the "United States"). When you receive such services, FLTCIP will pay benefits up to 80% of the amounts listed in the Benefit Amounts subsection.

If you have a 2, 3 or 5 year benefit period, 80% of your Maximum Lifetime Benefit can be used for covered services you receive outside the United States; the remaining 20% will be available for covered services you receive in the United States.

If you have an unlimited benefit period, your benefit period will be limited to 10 years for covered services you receive outside the United States. For such services, your Maximum Lifetime Benefit will be equal to 3,650 days (10 years) x 80% of your Daily Benefit Amount. Your Maximum Lifetime Benefit for covered services you receive in the United States will remain unlimited.

The Coordination of Benefits provision described in the section titled Exclusions and Limitations (Coordination of Benefits subsection) in this outline does not apply to international benefits.

Example 1: Assume that you select a Daily Benefit Amount of $150 and you have a 5 year benefit period. For purposes of determining international benefits, your Daily Benefit Amount is $120 ($150 x 80%) instead of $150. FLTCIP would pay up to $120 per day for services provided to you. Out of your Maximum Lifetime Benefit of $273,750, you could use up to 80% ($219,000) for all covered services you receive outside the United States. If you return to the United States and receive covered services, the remaining 20% ($54,750) of your Maximum Lifetime Benefit will be available for those services.

Example 2: Assume that you selected a Daily Benefit Amount of $150 and that you have an unlimited Benefit Period. For purposes of determining international benefits, your Daily Benefit Amount is $120 ($150 x 80%) instead of $150. FLTCIP would pay up to $120 per day for Covered Services. Your Maximum Lifetime Benefit for Covered Services you receive outside the United States would be limited to $438,000 (3,650 x $120). If you return to the United States and receive Covered Services, your Maximum Lifetime Benefit would remain unlimited for those services.

Alternate Plan of Care

FLTCIP may approve alternatives to your Written Plan of Care that they deem to be both appropriate for you and cost effective for the FLTCIP. An Alternate Plan of Care is one that:

- is designed specifically for you; and
- is primarily being made to improve your ability to perform one or more Activities of Daily Living; and
- is mutually agreed upon by you, a Licensed Health Care Practitioner and us; and
- contains recommendations for alternate services or supplies for you that are not otherwise covered under the Benefit Booklet; and may be modified as appropriate
- FLTCIP will base their review of a request for an Alternate Plan of Care on the following: your medical status; current and future care plans; long-term cost projections for current and future care plans and the Alternate Plan of Care; and the suitability and effectiveness of the Alternate Plan of Care.

You may choose not to accept the final terms of the Alternate Plan of Care.

The Alternate Plan of Care may not be used:

- to pay for any charges for services or supplies described in the Exclusions section; or
- to supplement the maximum amount for any benefit under your Benefit Booklet; or
- to pay for expenses covered under the Stay-at-Home Benefit.

Benefits payable for charges incurred for services and supplies provided under the Alternate Plan of Care will not exceed the lesser of: the actual charges; or the appropriate charges for such services or supplies.

Your receipt of services for your care under an Alternate Plan of Care will be subject to the waiting period.

Payment of Benefits

FLTCIP pays benefits using the "expense-incurred method." This method reimburses you for actual charges you incur for covered services received up to a specific dollar amount. All benefits are paid in United States currency.

Eligibility for Benefits

You must be eligible for benefits and satisfy any required waiting period in order for benefits to be payable for covered services. You are eligible for benefits if you meet all of the following requirements after your coverage becomes effective:

- a licensed health care practitioner has certified within the last 12 months that:
  - you are unable to perform, without Substantial Assistance from another person, at least 2 Activities of Daily Living for an expected period of at least 90 days due to a loss of functional capacity; or
  - you need Substantial Supervision due to your Severe Cognitive Impairment; and
- FLTCIP agree with that certification; and
- FLTCIP approves a written plan of care established for you by a licensed health care practitioner or FLTCIP's care coordinator.

Activities of Daily Living

- Bathing:
  - getting into a tub or shower; and
  - getting out of a tub or shower; and
  - washing your body in a tub, shower or by sponge bath; and
  - washing your hair in a tub, shower or sink. (If you need substantial assistance from another person to complete any one of these activities, you are dependent for bathing);
- Dressing:
  - putting on any necessary item of clothing (including undergarments) and any necessary braces, fasteners or artificial limbs; and
  - taking off any necessary item of clothing (including undergarments) and any necessary braces, fasteners or artificial limbs. (If you need substantial assistance from another person to complete any one of these activities, you are dependent for dressing);
- Transferring:
  - getting into a bed, chair or wheelchair; and
  - getting out of a bed, chair or wheelchair. (If you need substantial assistance from another person to complete any one of these activities, you are dependent for transferring);
- Toileting:
  - getting to and from the toilet; and
  - getting on and off the toilet; and
  - performing associated personal hygiene. (If you need substantial assistance from another person to complete any one of these activities, you are dependent for toileting);
- Continence:
  - maintaining control of bowel and bladder function; or
  - when unable to maintain control of bowel or bladder function, performing associated personal hygiene (including caring for catheter or colostomy bag). (If you cannot maintain control of bowel or bladder function and in addition you need substantial assistance from another person to perform the associated personal hygiene, you are dependent for continence);
- Eating:

- feeding yourself by getting food into your mouth from a container (such as a plate or cup), including use of utensils when appropriate (such as a spoon or fork); or
- when unable to feed yourself from a container, feeding yourself by a feeding tube or intravenously. (If you need substantial assistance from another person to complete any one of these activities, you are dependent for eating).

Severe Cognitive Impairment means a deterioration or loss in intellectual capacity (such as may occur with Alzheimer's disease) that (a) places a person in jeopardy of harming him/herself or others and, therefore, the person requires Substantial Supervision by another person; and (b) is measured by clinical evidence and standardized tests which reliably measure impairment in: (1) short or long term memory; (2) orientation to people, places or time; and (3) deductive or abstract reasoning.

Substantial Assistance means Hands-On Assistance or Standby Assistance. Hands-On Assistance means physical help by another person without which you would not be able to perform the Activities of Daily Living. Standby Assistance means that you require the presence of another person within arm's reach of you to prevent, by physical intervention or cueing, injury to you while you are performing the Activities of Daily Living.

Substantial Supervision means that you require continual monitoring by another person (which may include cueing by verbal prompting, gesture, or other demonstrations) to protect you from threats to your health and safety, for instance, while wandering.

Waiting Period

The waiting period is 90 days. The waiting period is the number of calendar days during which you must be eligible for benefits before we will pay benefits. FLTCIP does not pay benefits for services you receive during your waiting period, except for Hospice Care, Respite Services and the Stay-At-Home Benefit. You only have to satisfy the waiting period once in your lifetime. Any days applied toward the waiting period under a prior Benefit Booklet will count toward the waiting period under this Benefit Booklet. Days applied toward satisfying the waiting period need not be consecutive, nor associated with the same episode of care.

Waiver of Premium

You will not have to pay your premium if you are eligible for benefits and have satisfied the waiting period. FLTCIP will also waive your premium if you are eligible for benefits and receiving hospice care. If you satisfy the requirements for waiver of premium on the first day of a month, the waiver will take effect on that date. Otherwise, the waiver will take effect on the first day of the following month. If, at a later date, you are no longer eligible for benefits (e.g., you recover) and wish to maintain your coverage, you will have to resume paying your premium on the first day of the month following the month in which you are no longer eligible for benefits.

Care Coordination Services

FLTCIP's Care Coordinators are licensed health care practitioners who provide the following services at no additional charge to you:

- provide general information about long term care services; and
- assess and approve your need for long term care services; and
- develop a plan for long term care services; and
- monitor and reassess from time to time the long term care services that you receive; and
- provide access to discounts for services, when available.

FLTCIP's care coordinators will provide the services described above for your qualified relatives, if you are enrolled in the FLTCIP. These services will be provided regardless of whether your qualified relatives are enrolled in the FLTCIP, as long as you are enrolled.

You do not have to be eligible for benefits or satisfy the waiting period in order to receive care coordination services.

Exclusions and Limitations

Exclusions

The Federal Long Term Care Insurance Program (FLTCIP) does not pay benefits for any of the following:

- illness, treatment or medical condition arising out of:
  - your participation in a felony, riot or insurrection;
  - your attempted suicide, while sane or insane; or
  - injuries you intentionally inflict on yourself;
- care or treatment for alcoholism or drug addiction;
- care or treatment provided in a government facility, including a Department of Defense or Department of Veterans Affairs facility, unless otherwise required by law;
- care you receive while in a hospital, except in a unit specifically designated as a nursing home or hospice facility;
- any service or supply to the extent the expense for it is reimbursable under Medicare, or would be so reimbursable except for the application of a deductible, coinsurance or copayment amount. (This exclusion will not apply in those instances where Medicare is determined to be the secondary payor under applicable law);
- services or supplies for which you are not obligated to pay in the absence of insurance; or
- services provided by any person who normally lived in your home at the time you became eligible for benefits.

This Coverage Does Not Have a War Exclusion

Coverage under the FLTCIP does not have a war exclusion. As a result, benefits may be payable under the FLTCIP for conditions due to war or acts of war, declared or undeclared, or service in the armed forces or auxiliary units.

Coordination of Benefits

The FLTCIP includes a Coordination of Benefits (COB) provision that follows the guidelines set by the National Association of Insurance Commissioners (NAIC). In determining the amount of benefits FLTCIP will pay under the FLTCIP, the COB provision allows them to look at other plans that might pay benefits for long term care services you receive. The other plans FLTCIP looks at include government programs (other than Medicaid), group medical benefits, and other employer-sponsored long term care insurance. FLTCIP does not look at Medicaid, individual insurance policies or association group insurance policies. The COB provision does not apply to international benefits.

If the FLTCIP is primary (this means it pays first), we will pay benefits without coordinating with other plans. That means that FLTCIP will pay benefits to the maximum extent permitted by your coverage. If another plan or program is primary, then it will pay first. In that case, FLTCIP will pay no more than the difference between the amount payable by your other coverage(s) and your actual expenses up to the Daily Benefit Amount you select.

Relationship of Cost of Care and Benefits

Because the costs of long term care services will likely increase over time, you should consider whether and how benefits under the Federal Long Term Care Insurance Program (FLTCIP) may be adjusted. You have the choice of receiving benefit increases under the automatic compound inflation option or the future purchase option.

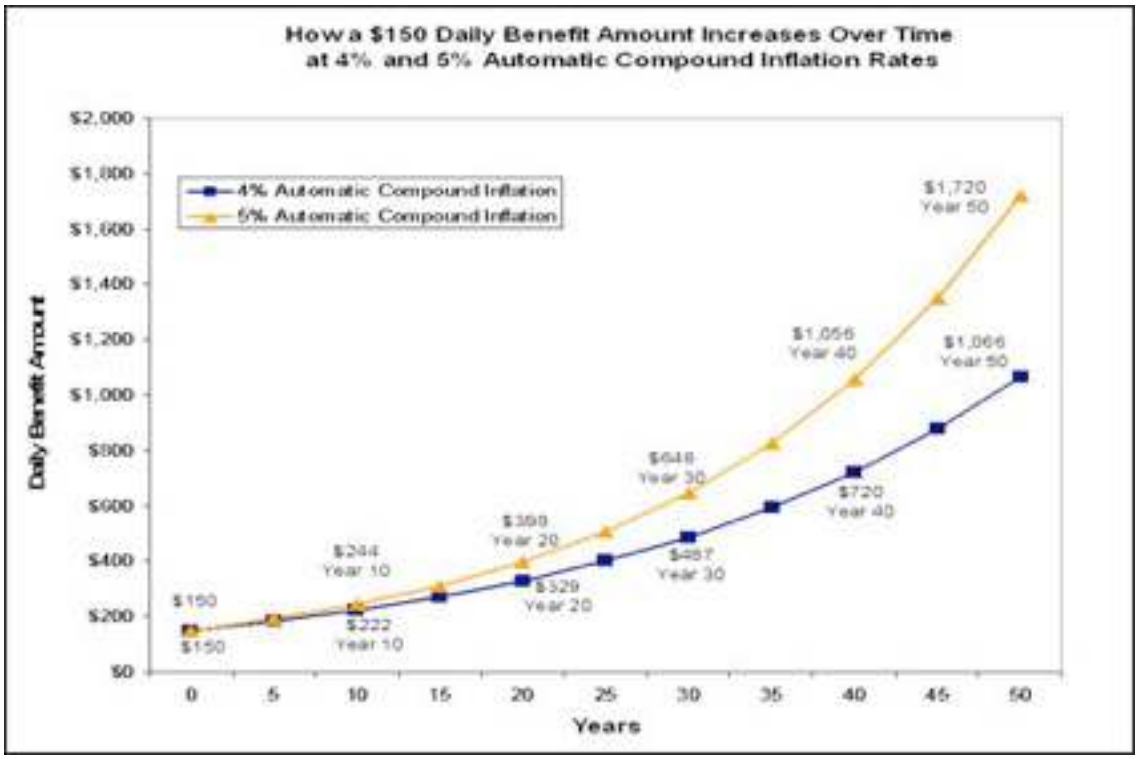
Automatic Compound Inflation Option

On each anniversary of your Original Effective Date of coverage (or the date you switch to this option), your Daily Benefit Amount and the remaining portion of your Maximum Lifetime Benefit (as well as other remaining Benefit Amounts listed in the Schedule of Benefits) will automatically increase at the Automatic Compound Inflation rate shown on your Schedule of Benefits, compounded annually. Increases under this option are made even if you are eligible for benefits, without regard to your age, claim status, claim history or the length of time your coverage has been in effect, and will not cause your premium to increase.

If FLTCIP determines in the future that the cumulative actual rate of inflation in the cost of long term care services since the last increase under this provision is significantly higher than the Automatic Compound Inflation rate shown on your Schedule of Benefits, compounded annually, OPM and we will agree upon a method to allow you, at your option, to adjust your Daily Benefit Amount. This method will account for the higher rate of inflation for an additional premium if you are not then eligible for benefits.

Comparing 4% and 5% Automatic Compound Inflation

The FLTCIP offers both 4% and 5% Automatic Compound Inflation Options (ACIOs). FLTCIP cannot recommend which rate may be best for you. That's a decision only you can make. The following is an example of how a $150 Daily Benefit Amount increases over five decades at both 4% and 5% ACIO rates.



Future Purchase Option

Every two years FLTCIP will increase your Daily Benefit Amount and the remaining portion of your Maximum Lifetime Benefit (as well as other remaining Benefit Amounts listed in the Schedule of Benefits), except as described below. FLTCIP will send notice of the first increase to enrollees with this option in the fall of 2013 for the increase that will apply on January 1, 2014. Increases will occur every two years on January 1st thereafter. Your coverage must be in effect for at least 12 months in order for you to receive your first increase under this provision. The increase will be based upon the change in the Department of Labor's Consumer Price Index for All Urban Consumers (CPI-U), All Items, or another index mutually agreed upon by OPM and John Hancock. FLTCIP will include the amount of the increase in the notice.

If you do not want the increase, FLTCIP must receive your rejection before the date specified in the increase notice. If you want the increase, you do not have to take any action other than paying the additional premium. The increase will automatically take effect. Increases under this option will be made regardless of your age, but FLTCIP will not increase your benefits under this option if you are eligible for benefits. Increases under this option do not require you to provide evidence of your good health.

You may request to switch from the future purchase option to the automatic compound inflation option, and should you make such a request:

- you will be required to provide, at your expense, evidence of your good health that is satisfactory to us; and
- the effective date of all future automatic compound benefit increases will be the anniversary of the first day of the month that next follows the date of our approval of your request.

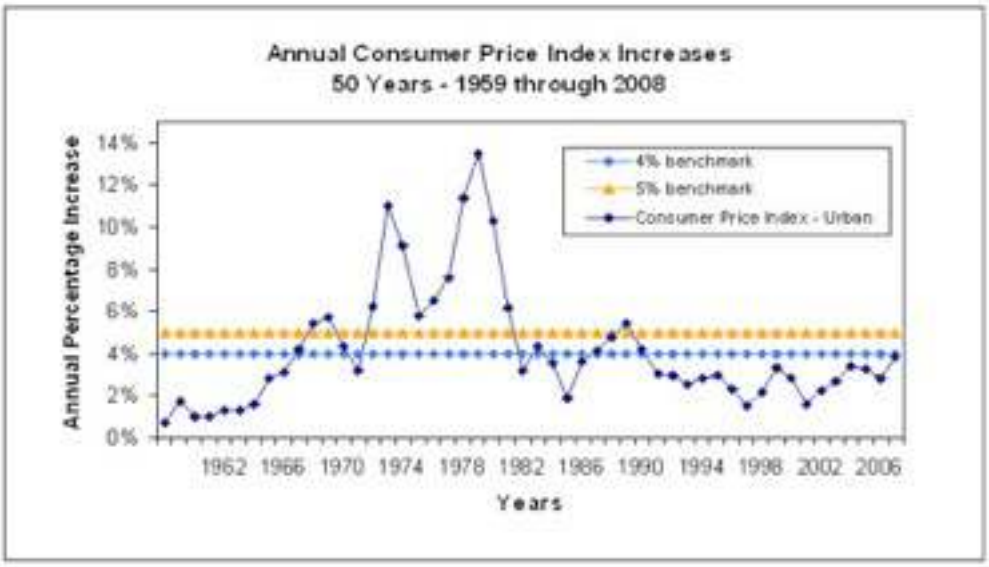
The Future Purchase Option and the Consumer Price Index

As previously mentioned, FPO increases will be based upon the change in the U.S. Department of Labor's Consumer Price Index for All Urban Consumers (CPI-U), All Items, or another index mutually agreed upon by OPM and John Hancock.

What is the CPI-U?

The CPI-U is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services, including food and beverages, housing, transportation, and medical care, among others. The underlying cost drivers for long term care are predominantly contained within this index, making the CPI-U one of the most suitable indices for tracking current and future changes in long term care costs.

While past performance is not a reliable indicator of future performance, it may be helpful to note historical CPI-U trends for those interested in the Future Purchase Option. The following chart compares historical changes in the CPI-U over time against 5% and 4% annual percentage increase benchmarks.



Source: Data from U. S. Dept. of Labor - Bureau of Labor Statistics, www.bls.gov/cpi/.

Average Consumer Price Index increases for the past fifty years are as follows:

Average	**Period**	**CPI-U**
10 Year	1999-2008	2.8%
20 Year	1989-2008	3.0%
30 Year	1979-2008	4.1%
40 Year	1969-2008	4.7%
50 Year	1959-2008	4.1%

Source: Data from U. S. Dept. of Labor - Bureau of Labor Statistics. www.bls.gov/cpi/ .

Comparison of the Automatic Compound Inflation Option and the Future Purchase Option

The following graphs compare monthly premium and Daily Benefit Amounts over time for purchase ages 50 and 65 for the following inflation options:

- Automatic Compound Inflation Option at 5% (5% ACIO),
- Automatic Compound Inflation Option at 4% (4% ACIO), and
- Future Purchase Option (FPO).

PLEASE READ THE FOLLOWING IMPORTANT ASSUMPTIONS ABOUT THE GRAPHS:

IMPORTANT ASSUMPTIONS

- The following graphs assume an initial Daily Benefit Amount of $150, a 90 day waiting period, and a 5 year benefit period.

- Horizontal ACIO premium lines in these graphs indicate that premiums will not automatically increase every year when benefits automatically increase. This DOES NOT mean that premiums will never increase for enrollees with ACIO. The underlying premium rates for both ACIO and FPO are NOT guaranteed.
- The graphs reflect two different scenarios: all FPO increases accepted and all FPO increases declined.
- For FPO and ACIO comparisons, we are assuming a similar annual rate of inflation increase for both: 5% or 4%. In reality, FPO increases can be higher or lower than ACIO rates under the Federal Long Term Care Insurance Program (FLTCIP) in any given year. Actual FPO premiums and benefits will vary depending on actual future inflation rates.
- The graphs do not imply that your coverage will end after 30 years.

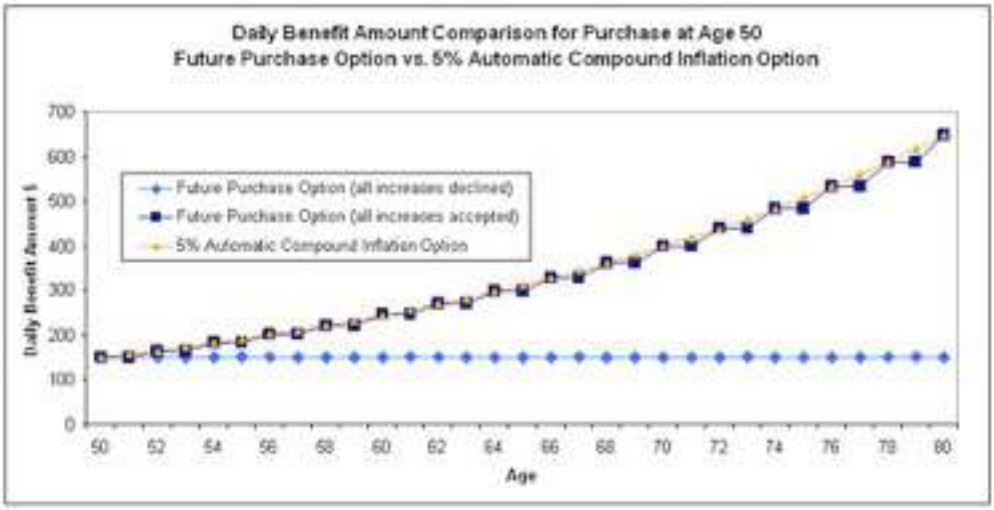
As the **Premium Comparison** graphs illustrate, a 5% or 4% ACIO premium does not increase automatically each year when the benefit increases. With FPO, premium starts out lower than with 5% or 4% ACIO. But, as the benefit increases, the FPO premium increases and eventually becomes greater than the 5% or 4% ACIO premium. Because the FPO premium increases steeply during normal retirement ages, you should consider whether you will be able to afford the higher premium under the FPO. If you decline an FPO increase, your coverage doesn't end, your Daily Benefit Amount just does not increase.

The **Daily Benefit Amount Comparison** graphs show how the Daily Benefit Amount increases over time under 5% ACIO and 4% ACIO and how it would increase under FPO if similar benefit increases were to take effect. However, if you decline an FPO increase, your FPO benefit will not increase and over time may become substantially less than the 5% or 4% ACIO benefit.

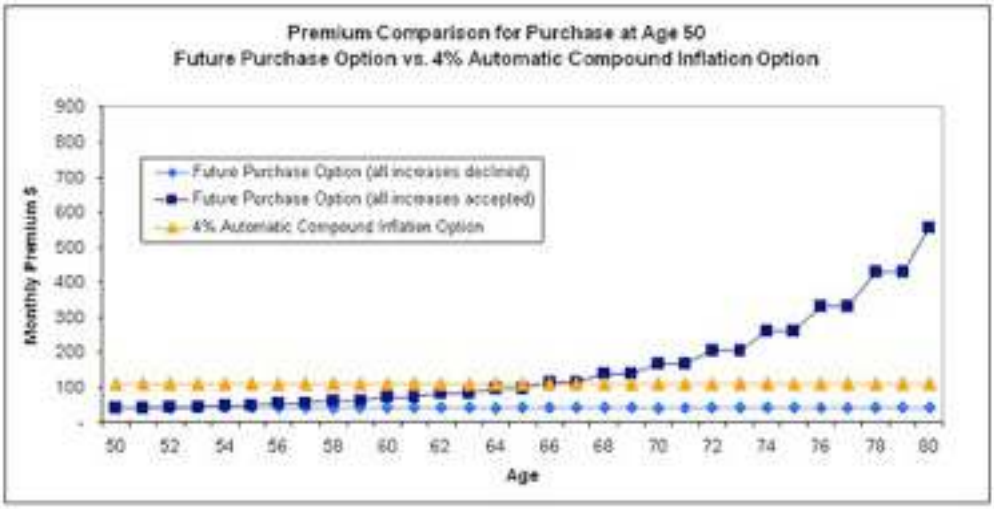
The effect of FPO on your premium and benefit cannot be predicted, since it is based on a variable rate (the CPI-U). It is important that you understand and are comfortable with this aspect of the Future Purchase Option before you elect it.

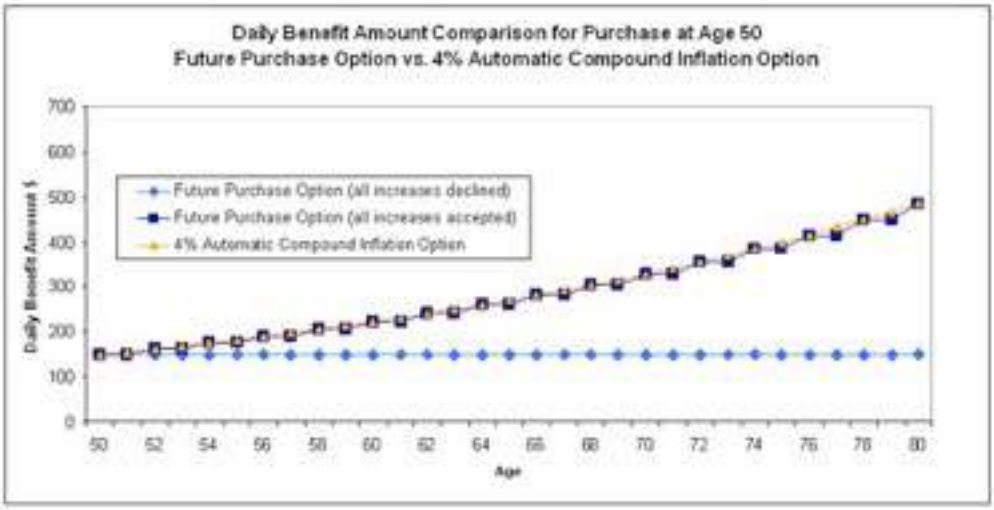
Purchase Age 50 - Examples

FPO and 5% ACIO Comparisons



FPO and 4% ACIO Comparisons





Other Benefit Changes (Upgrades and Downgrades)

At any time, you may request an increase (upgrade) or decrease (downgrade) in your coverage. If you make a request that FLTCIP determines is an increase in coverage, you must provide, at your expense, evidence of your good health that is satisfactory to FLTCIP. You do not have to provide evidence of your good health for a decrease. The amount of an increase or decrease is subject to Federal Long Term Care Insurance Program (FLTCIP) options available under FLTCIP 2.0 at the time of your request.

Within 30 days after you receive approval of a request for an increase or a decrease in your coverage, you may cancel the increase or decrease in your coverage, and it will be as if the increase of decrease in your coverage was never issued. FLTCIP will refund any premium that is due you within 30 days.

When your Premium May Change

If you select the automatic compound inflation option, your premium is designed to include all future inflation increases you will receive each year while you are insured. Your premium will not increase with each inflation increase under this option. However, your premiums may still increase under the conditions described below as well as those described in the 'When We May Increase Premiums' subsection.

If you select the future purchase option, your premium will increase for each inflation increase under this option; the additional premium for each increase will be based on your age and the premium rates in effect at the time the increase takes effect. If you switch from the future purchase option to the automatic compound inflation option, your premium will increase based on your age and the premium rates in effect at the time that switch goes into effect. This increase in premium is intended to pay for future increases under the automatic compound inflation option. Once you have switched, your premium will not increase for any subsequent inflation increase. Please note that your premiums may also increase under the conditions described in the 'When We May Increase Premiums' section.

If you request and FLTCIP approves any coverage increase other than an inflation increase, your premium for the additional coverage will be based on your age and the premium rates in effect at the time the increase takes effect. If you request a decrease in coverage consistent with available Federal Long Term Care Insurance Program (FLTCIP) options, your premium will decrease. The amount of the decrease in premium associated with the decrease in coverage will be computed assuming that the levels of benefits purchased last are discontinued first.

See the section titled 'Relationship of Cost of Care and Benefits' for a summary of these benefit change provisions. Your premium will not change because you get older or your health changes or for any other reason related solely to you. FLTCIP may only increase your premium if you are among a group of enrollees whose premium is determined to be inadequate. While the Group Policy is in effect, OPM must approve the change.

When you May Receive a Premium Refund

30 Day Free Look/Cancellation of Coverage

New Enrollees:

Within 30 days after you receive your Benefit Booklet, you may cancel your coverage if you are not satisfied with it and receive a refund of any premiums you paid. If you wish to do this, you must notify FLTCIP within 30 days of receiving the Benefit Booklet. Then, FLTCIP will refund all of your premiums paid for coverage under the Benefit Booklet within 30 days.

Existing Enrollees:

Within 30 days after you receive your new Benefit Booklet:

- you may cancel your new coverage if you are not satisfied with it and receive a refund of any premium paid for the new coverage; or
- you may cancel your new coverage if you are not satisfied with it and return to your prior coverage under the Federal Long Term Care Insurance Program (FLTCIP) and receive a refund of any premium paid for the new coverage.

If you wish to do either of the above, you must notify FLTCIP within 30 days of receiving your new Benefit Booklet. Then, FLTCIP will refund all of your premiums paid for coverage under the new Benefit Booklet within 30 days. If you do not notify FLTCIP that you wish to return to your prior coverage within 30 days of your receipt of your new Benefit Booklet, you will no longer be able to return to your prior coverage or any options that were available under that coverage that are not available under the new Benefit Booklet.

You may cancel your coverage at any other time; however, FLTCIP will only refund premiums that cover a period after the effective date of your cancellation.

Other Refunds of Premium

FLTCIP will refund any premium that you paid to cover any period after the date of your death or during which your premium is waived.

When Coverage May be Continued or Ended

When Your Coverage Will End

Your coverage will end on the earliest of the following:

- the date you specify to us that you wish your coverage to end; or
- the date of your death; or
- the end of the period covered by your last premiums payment if you do not pay the required premiums when due; or
- the date the group policy ends, subject to continuation of coverage as described below; or
- the date that you have exhausted your Maximum Lifetime Benefit (in this event, care coordination services will continue).

Grace Period

There is a 30-day grace period for payment of your premium. This means that FLTCIP must receive your premium payment by the 30th day after the date it is due. If FLTCIP does not receive your premium by the end of this grace period, FLTCIP will send you written notice of termination of your coverage by first class United States mail. You will have 35 days from the date of the termination letter to pay your premium; otherwise your coverage will end.

Portability

Long term care insurance coverage under the Federal Long Term Care Insurance Program (FLTCIP) is portable. This means that once you have coverage under the FLTCIP and later are no longer a member of an eligible group, you can keep your coverage if you continue to pay the required premium and have not exhausted your Maximum Lifetime Benefit.

Continuation of Coverage

If the Group Policy ends, OPM has stated that it intends to continue your insurance coverage by replacing the Group Policy with another that will:

- be effective on the day after the Group Policy ends; and
- provide coverage that is substantially the same as that provided by the Group Policy; and
- calculate your premium based on the same issue age(s) as under the Group Policy.

In the unlikely event that the Group Policy ends and there is no replacement policy as described above, FLTCIP will continue your coverage.

Premium

The premium required for coverage under the Federal Long Term Care Insurance Program (FLTCIP) may be available in the enclosed materials; otherwise, rates can be obtained by contacting Long Term Care Partners, the FLTCIP administrator. Premiums may change. See the section 'When Your Premium May Change'.

Applying for Coverage under the FLTCIP

Anyone who is eligible to apply for coverage under the Federal Long Term Care Insurance Program and wishes to do so must complete the appropriate application. FLTCIP must approve your application in order for your coverage to become effective. Certain medical conditions, or combinations of conditions, will prevent some people from being approved for coverage. You must apply to know if you are eligible to enroll.

How to File a Claim

There are five simple steps in the claim filing process.

1. Schedule a phone interview.

The benefits eligibility process starts with a call to arrange a telephone interview with a care coordinator. If you have not scheduled a phone interview, call Long Term Care Partners at **1-800-LTC-FEDS** (1-800-582-3337)
TTY 1-800-843-3557.

2. Review your eligibility requirements.

You may be eligible to receive the benefits of your plan if a licensed health care practitioner has certified (e.g., provided a written statement describing the nature and degree of physical or cognitive loss, how long services may be needed, and the services that may be required) in the last 12 months that:

- you are unable, without substantial assistance from another person, to perform at least two activities of daily living for an expected period of at least 90 days due to a loss of functional capacity; or
- you require substantial supervision due to your severe cognitive impairment

What is a severe cognitive impairment?

A severe cognitive impairment is a deterioration or loss in intellectual capacity (such as Alzheimer's disease) that:

- places you in jeopardy of harming yourself or others and, therefore, you require substantial supervision by another person
- is measured by clinical evidence and standardized tests that reliably measure impairment in:
    - short or long term memory
    - orientation to people, places, or time
    - deductive or abstract reasoning

3. Prepare for your phone interview.

During your phone interview with a care coordinator, you will be asked detailed questions about your health, assistance needs, and family support as well as information about your doctor. This will help FLTCIP determine if you are eligible for the plan benefits. FLTCIP has created a worksheet to assist you with gathering this information. Please record as much information as possible on this worksheet to make the conversation with your care coordinator and the review of your claim as efficient as possible.

Download the Personalized Worksheet for Benefit Eligibility Interview.

4. Complete and mail the required form(s).

While reviewing your benefit eligibility, FLTCIP may request additional health information about you. Please complete the Authorization to Use and Disclose Health Information about Me form and mail it back to FLTCIP at Long Term Care Partners, LLC, P.O. Box 797, Greenland, NH 03840-0797.

If you would like to authorize FLTCIP to speak to a designated person about your coverage, please complete the Authorization for Disclosure of Information and mail it back to FLTCIP at Long Term Care Partners, LLC, P.O. Box 797, Greenland, NH 03840-0797.

Until FLTCIP has received this authorization form, verbal authorization from you, or a legal copy (as determined by your state of residence) of your power of attorney or guardianship, FLTCIP will not be able to discuss your coverage with anyone other than you (including your spouse). Please note: The type of power of attorney will determine the authorization your designated person has on your behalf. For example, although FLTCIP can provide health information to a health care power of attorney, they are not able to share specific policy information or act on their instructions with regards to your claim reimbursement or to obtain necessary medical records.

5. Review the next steps.

In order to make a decision, FLTCIP may request additional information by: contacting you, your physician, or other persons familiar with your condition; accessing your medical records; having you examined, at FLTCIP's expense, by a licensed health care professional; and/or conducting an on-site assessment. After FLTCIP receives all of the information they need, FLTCIP will send you a written notice of their decision within 10 business days.

If your benefit eligibility is approved, the notice will state the date you are eligible for benefits and include the necessary claims forms. You will also be assigned a personal care coordinator (see below) to assist you.

If your benefit eligibility is denied, the notice will state the reason for the denial. If you still feel strongly that you are eligible for the benefits of your plan, you may request a review of the denial by sending a written request to FLTCIP no later than 60 days after the date of the denial. After reviewing it, FLTCIP will send you written notice of their decision. If FLTCIP upholds the initial denial, at that time you may request an appeal.

For more information on the review and appeal process, please refer to the most recent Benefit Booklet FLTCIP sent you.

Satisfying your waiting period

If your benefit eligibility is approved, you must first satisfy your plan's waiting period. Your waiting period is

identified in your current schedule of benefits, and it is similar to a deductible in other insurance plans. You only have to satisfy your plan's waiting period once in your lifetime.

If you have a service day waiting period

A service day waiting period is the number of days you must be eligible for benefits and receiving and paying for care (care must be approved by your care coordinator) before FLTCIP will pay the benefits of your plan. If you have a service day waiting period, FLTCIP will request the following information from you:

- itemized bills and an explanation of what services were provided
- canceled checks or electronic images of canceled checks for services that were provided; do not pay for services in cash
- invoices from a formal provider
- notes or a daily log sheet from your home care agency

If you have a calendar day waiting period

A calendar day waiting period is the number of calendar days you must be eligible for benefits before we will pay the benefits of your plan. For detailed information about your waiting period, please review your online account or the most recent schedule of benefits FLTCIP sent you.

For more information, visit www.ltcfeds.com or call 1-800-LTC-FEDS (1-800-582-3337) TTY 1-800-843-3557.

Federal Student Loan Repayment Program

The federal student loan repayment program permits agencies to repay federally insured student loans as a recruitment or retention incentive for candidates or current employees of the agency. The program authorizes agencies to set up their own student loan repayment programs to attract or retain highly qualified employees.

Be aware that employees are not automatically entitled to a student loan repayment. Agencies have discretionary authority to repay certain types of federally insured student loans as a recruitment or retention incentive for highly qualified candidates or current employees.

Applying

Current Federal employees or potential candidates may contact their current or potential employing agency for information on how to apply for the student loan repayment program. Each participating agency must develop a plan that describes how it will implement the program.

Maximum Amount

For any one individual, an agency may agree to provide student loan repayment benefits of up to $10,000 per calendar year, subject to a cumulative maximum of $60,000 per employee. The employing agency makes student loan payments directly to the loan holder. Student loan payments are not paid to employees.

Future Student Loans

An agency may not agree to repay any future student loans accrued by an employee. An agency may agree only to make payments on those student loans taken out prior to the student loan repayment agreement.

In Addition to Existing Bonuses and Incentives

Agencies may offer student loan repayment benefits in conjunction with recruitment and relocation bonuses and retention allowances. Agencies may also use student loan repayment benefits in conjunction with a physicians' comparability allowance (PCA). However, regulations require that the amount of the PCA be reduced by the amount of the student loan repayment.

Recruiting from Other Federal Agencies

The intent of the federal student loan repayment program is to help agencies recruit individuals for federal service, not for agencies to compete with one another for employees. Thus, agencies cannot use this authority to recruit current federal employees from other agencies.

Retaining Employees Leaving for Another Federal Agency

Similarly, agencies may not offer to repay a student loan for an employee who is likely to leave for any other position in any branch of the federal government.

Employee Eligibility

Any employee (as defined in 5 U.S.C. 2105) who is highly qualified is eligible to receive a student loan repayment, except those employees who currently occupy or will occupy a position excepted from the competitive service because of its confidential, policy-determining, policy-making, or policy-advocating character (i.e., employees serving under Schedule C appointments).

Under 5 CFR 537.104, agencies may offer loan repayment benefits to:

- Temporary employees who are serving on appointments leading to conversion to term or permanent appointments;
- Term employees with at least 3 years left on their appointment;
- Permanent employees (including part-time employees); and
- Employees serving on excepted appointments with conversion to term, career, or career conditional appointments.

Eligibility of Non-GS Employees

Employees not covered by the General Schedule (GS) pay system are also eligible for student loan repayment benefits. The Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Public Law 106-398) amended 5 U.S.C. 5379, to remove the limitation that only employees covered by the GS pay system were eligible for student loan repayment benefits. All "highly qualified" personnel, regardless of job series, including Senior Executive Service members, Federal Wage System employees, and employees covered by administratively determined pay systems, are eligible unless specifically excluded by law or regulation.

PLUS Loan Obligations for a Child

The statute authorizing the student loan repayment program states that this incentive can be used for employees of a given agency who have outstanding student loans. Therefore, if the employee has a PLUS loan for his or her child, the employee would be eligible. However, if a PLUS loan is held by an employee's parent, the employee is not eligible for loan repayment benefits for the parent's PLUS loan.

Eligibility of Employees in Default

The student loan repayment authority itself does not preclude payments for employees who have defaulted on their student loans. However, agencies may exclude them by so specifying in their agency plans.

Types of Academic Degrees and/or Levels Covered

The types of academic degrees and/or levels covered by the program are not specified in law. Agencies are encouraged to tailor their plans to recruit highly qualified candidates and/or retain highly qualified employees in their current positions. Therefore, an agency may specify the types of degrees and levels necessary to attain this goal.

In addition, the law does not require that a candidate or employee earn a degree, diploma, or certificate to be eligible for a student loan repayment benefit. However, an agency may require a degree, diploma, or certificate as part of its individual agency plan. Agencies are encouraged to tailor their plans to fit their specific needs.

Loan Eligibility

A student loan is eligible for payment under this authority if it is made, insured, or guaranteed under parts B, D, or E of title IV of the Higher Education Act of 1965 or is a health education assistance loan made or insured under part A of title VII or part E of title VIII of the Public Health Service Act. You can find more information on the OPM website at: http://www.opm.gov/oca/pay/studentloan/HTML/QandAs.asp. Examples of the loans that qualify under the student loan repayment program are as follows.

Federal Family Education Loans (FFEL):

- Subsidized Federal Stafford Loans
- Unsubsidized Federal Stafford Loans
- Federal PLUS Loans
- Federal Consolidation Loans

William D. Ford Direct Loan Program (Direct Loans):

- Direct Subsidized Stafford Loans
- Direct Unsubsidized Stafford Loans
- Direct PLUS Loans
- Direct Subsidized Consolidation Loans
- Direct Unsubsidized Consolidation Loans

Federal Perkins Loan Program:

- National Defense Student Loans (made before July 1, 1972)
- National Direct Student Loans (made between July 1, 1972 and July 1, 1987)
- Perkins Loans (made after July 1, 1987)

Loans made or insured under the Public Health Service Act include the following:

- Loans for Disadvantaged Students (LDS)
- Primary Care Loans (PCL)
- Nursing Student Loans (NSL)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)

You should also be aware that loans that were purchased or sold by the original holder are eligible for payment, assuming the other conditions of the regulations are met.

Agency Plans

Under 5 CFR 537.103, each agency must establish a plan that designates the officials who are authorized to review and approve offers of student loan repayment benefits. Agencies may use approval delegations similar to those used for other recruitment and retention incentives. An agency may tailor its student loan repayment plan to include candidates with specific skills or in a certain job occupation. Again, agencies may tailor their student loan repayment plan as they see fit in order to facilitate the recruitment and retention of highly qualified personnel.

Lump Sum Payments

Note that agencies are not required to make loan payments in one lump sum. In fact, making a loan payment in one lump sum to the loan holder on behalf of the employee accelerates the employee's tax liability and may increase the resulting tax burden.

Late Fees

Agencies are not responsible for any late fees assessed by the loan holder if the agency student loan payment is not received on time. Agencies should state this in their agency plans and/or in the service agreements with employees. Agencies should, to the extent possible, ensure that the timing of their payment to the loan holder coincides with the date the loan payment is due, and keep track of when payments are made.

Aggregate Limitation on Pay

Student loan payments are not subject to the aggregate limitation on pay under 5 U.S.C. 5307. The aggregate limitation on pay applies to direct payments made to the employee, whereas student loan payments are paid to the loan holder on behalf of the employee.

Repayment Benefits Subject to Employment Taxes

Although a student loan payment is paid directly to the loan holder on behalf of the employee, the payment is nonetheless included in the employee's gross income and wages for federal employment tax purposes. Consequently, the agency must withhold and pay employment taxes from; the employee's regular wages, the loan payment, or a separate payment made by the employee. The applicable employment taxes include federal income taxes withheld

from wages (and, where appropriate, state and local income taxes) and the employee's share of social security and Medicare taxes. Tax withholdings must be deducted or applied at the time any loan payment is made. The agency may choose among several different methods for withholding taxes.

Be sure to note the implications of deducting taxes directly from a gross loan payment. For example, if the agency has approved a student loan repayment benefit of $10,000 and the employee's tax deductions are $3,000, then the agency will make a loan payment of $7,000. The full $10,000 counts toward the maximum limitations noted above (up to $10,000 per calendar year, subject to a cumulative maximum of $60,000 per employee).

Agencies have several options available for easing the tax liability on a recipient of the student loan repayment benefits. Talk to those handling your agency's student loan repayment program to discuss these. Agencies are responsible for reporting any student loan payments to the Internal Revenue Service.

Service Agreements

An employee receiving this benefit must sign a service agreement to remain in the service of the paying agency for a specified period. The minimum period of service an agency may require an employee to fulfill in order to receive student loan repayment benefits is 3 years. Agencies may require service agreements of more than 3 years.

Agencies should specify the beginning date of the service requirement in the candidate or employee service agreement. The service requirement begins at the time specified in the service agreement, but may begin no earlier than the time the service agreement is signed. For example, an agency could make the student loan repayment benefits contingent on an employee's completion of a basic training program. In this example, the employee enters federal service and completes a 90-day training course. The service agreement may state that, if the employee successfully completes the course, the service requirement begins at that time.

Service requirements may not be prorated according to the dollar amount of the student loan repayment benefit offered. The minimum service requirement is established in statute and may not be prorated. In addition, an employee must reimburse the paying agency for all benefits received if he or she is separated voluntarily or involuntarily for cause or poor performance. In addition, an employee must maintain an acceptable level of performance in order to continue to receive repayment benefits.

Employee Reimbursement If Leaving Agency

Occasionally, an employee may leave the paying agency for another federal agency before completion of the service requirement. Under these circumstances, the employee is not required by law to reimburse the paying agency unless specified in the service agreement. However, the gaining agency is not obligated to make any loan payments previously agreed to by another agency.

Employee Reimbursement If Leaving Federal Service

If an employee voluntarily separates from federal service and does not complete the terms of the service agreement, he or she is obligated to reimburse the paying agency for the full amount of the loan repayment benefits provided (gross before any tax deductions from the loan payment). For example, if an employee's agreement states that he or she will receive $10,000 per year for 3 years, and the employee leaves with 6 months remaining on the service agreement after receiving $25,000 in loan repayment benefits, the employee must reimburse the paying agency for $25,000.

The same rule applies even if an employee fails to complete the service requirement because of disability retirement or leaves federal service because of a disabling condition – he or she is required to reimburse the government for all loan payments received. However, agencies may waive recovery if they determine it to be against equity and good conscience or contrary to the public interest. Agencies are responsible for making their own determination regarding what "against equity and good conscience" means. But in doing so, agencies should take into account consistency, fairness, and the cost to taxpayers of recovering monies owed to the government.

Leave

Federal employees have available to them several different types of leave, including annual leave, sick leave, military leave, and court leave, to name a few. This chapter will discuss the various types of leave that federal employees may take, as well as programs such as leave transfer, designed to assist employees who have exhausted their leave. Lastly, it will identify the federal holidays for 2013.

Annual Leave

An employee may use annual leave for any purpose, including vacations, rest and relaxation, and personal business or emergencies. An employee has a right to take annual leave, subject to the right of the supervisor to schedule the time at which annual leave may be taken. An employee will receive a lump-sum payment for accumulated and accrued annual leave when he or she separates from federal service or enters on active duty in the armed forces and elects to receive a lump-sum payment.

Accrual Rates

Employee Type	Less than 3 years of service	3 years but less than 15 years of service	15 or more years of service
Full-time employees	½ day (4 hours) for each pay period	3/4 day (6 hours) for each pay period, except 1¼ day (10 hours) in last pay period	1 day (8 hours) for each pay period
Part-time employees*	1 hour of annual leave for each 20 hours in a pay status	1 hour of annual leave for each 13 hours in a pay status	1 hour of annual leave for each 10 hours in a pay status
Uncommon tours of duty*	(4 hours) times (average # of hours per biweekly pay period) divided by 80 = biweekly accrual rate.**	6 hours) times (average # of hours per biweekly pay period) divided by 80 = biweekly accrual rate.**	(8 hours) times (average # of hours per biweekly pay period) divided by 80 = biweekly accrual rate. **

* Leave is prorated for part-time employees and employees on uncommon tours of duty.

** In computing leave accrual for uncommon tours of duty, the accrual rate for the last full pay period in a calendar year must be adjusted to ensure the correct amount of leave is accrued.

Annual Leave Accrual Rates for SES, SL and ST Positions

As a result of the "Federal Workforce Flexibility Act of 2004," P.L. 108-411, which was signed into law on October 30, 2004, members of the Senior Executive Service (SES), employees in senior level (SL) and scientific or professional (ST) positions accrue annual leave at the rate of 1 day (8 hours) for each full biweekly pay period.

In addition, OPM has extended coverage for the 8-hour category to employees in the following equivalent categories:

- Armed Forces Retirement Home Chief Operating Officer;
- Senior Foreign Service;
- Defense Intelligence Senior Executive Service;

- Senior Cryptologic Executive Service;
- The Federal Bureau of Investigation's Senior Executive Service;
- Homeland Security's AD positions transferred from the Department of Energy under the authority of P.L. 107-296, Section 303 and Advanced Research Projects Agency employees under section 307(b)(6) of P.L. 107-296;
- Executive Director of the Morris K. Udall Foundation;
- Executive Director of the National Council on Disability;
- Senior Staff positions of the National Credit Union Administration;
- Employees appointed under 42 U.S.C. 10266(b) on the Nuclear Waste Technical Review Board;
- Senior-level employees appointed under 2285(b) of the U.S. Agency for International Development;
- Denali Commission's Federal Co-Chair;
- Deputy Public Printer and Senior Level Services (SLS) employees of the Government Printing Office;
- Drug Enforcement Administration's Senior Executive Service and the Executive Office of the U.S. Trustees' employees paid under 28 U.S.C. 587;
- Department of Defense Highly Qualified Experts, paid under 5 U.S.C. 9303(b);
- Defense Intelligence Senior Level employees paid under 10 U.S.C. 1602;
- Federal Deposit Insurance Corporation's employees in Executive Manager (EM) positions and Corporate Manager (EM) positions;
- Employees in the Corporation for National and Community Service's NX-2 pay band;
- Streamlined critical pay employees of the Internal Revenue Service who are paid under 5 U.S.C. 9503;
- Employees in the Nuclear Regulatory Commission's Senior Level System (SLS);
- The Senior Counsel and the Director, External Affairs, at the United States Holocaust Museum;
- The Farm Credit Administration's employees in grades VH 42-45;
- Employees in Pay Band V of the Department of Energy's EJ, EK, and EN excepted pay systems;
- Positions covered by the Library of Congress Executive Schedule (EX) -- i.e., the Deputy Librarian of Congress, the Director of the Congressional Research Service, and the Register of Copyrights;
- National Defense University's AD employees hired under 10 U.S.C. 1595;
- Executive Director for the Federal Retirement Thrift Investment Board;
- The Federal Housing Finance Board's TF-1 through TF-5 employees; and
- Office of Federal Housing Enterprise Oversight's OF23 - OF27 employees.

Agency heads may request that OPM authorize an 8-hour annual leave accrual rate for employees who hold positions covered by pay systems which they believe are equivalent to the SES or SL/ST pay system.

Creditable Service for Leave Accrual

Civilian Service

All civilian service that is *potentially* creditable for Civil Service Retirement Service (CSRS) purposes, including service covered by the Federal Employee Retirement Service (FERS) is also creditable for annual leave accrual. Potentially creditable service includes service that *could* be credited if the employee made deposits to the retirement fund. However, such deposits are *not required* before the employee gets credit for annual leave accrual purposes.

Uniformed Service

For non-retired members, full credit for uniformed service (including active duty and active duty for training) performed under honorable conditions is given for annual leave accrual purposes.

For retirees, annual leave accrual credit is given only for:

- Actual service during a war declared by Congress (includes World War II covering the period December 7, 1941, to April 28, 1952) or while participating in a campaign or expedition for which a campaign badge is authorized, or
- All active duty when retirement was based on a disability received as a direct result of armed conflict or caused by an instrumentality of war and incurred in the line of duty during a period of war as defined in 38 U.S.C. 101(11). "Period of war" includes World War II, the Korean conflict, Vietnam era, the Persian Gulf

War, or the period beginning on the date of any future declaration of war by the Congress and ending on the date prescribed by Presidential proclamation or concurrent resolution of the Congress.

* The uniformed services consist of the Armed Forces (Army, Navy, Air Force, Marine Corps, and Coast Guard), the commissioned corps of the Public Health Service, and the commissioned corps of the National Oceanic and Atmospheric Administration.

Advance Annual Leave

Supervisors may grant advance annual leave consistent with agency policy. The amount of annual leave that may be advanced is limited to the amount of annual leave an employee would accrue in the remainder of the leave year. Employees do not have an automatic entitlement to advance annual leave. In most cases, when an employee who is indebted for advance annual leave separates from federal service, he or she is required to refund the amount of advance leave for which he or she is indebted.

Annual Leave Ceilings

Maximum Annual Leave That May be Carried Over into the New Leave Year:

- Federal Employees Stationed within the United States 30 days
- Federal Employees Stationed Overseas 45 days
- Members of the Senior Executive Service 90 days

Any accrued annual leave in excess of the maximum allowed by law will be forfeited. Forfeited annual leave may be restored. (See “Restoration of Annual Leave” below.)

Annual Leave to Establish Retirement Eligibility

An employee may use annual leave to establish initial eligibility for retirement in reduction-in-force and other restructuring situations. An employee who has received a specific notice of termination in a RIF situation may use annual leave past the date the employee would otherwise have been separated in order to establish initial eligibility for immediate retirement, including discontinued service or voluntary early retirement.

Restoration of Annual Leave

Agencies may restore annual leave that was forfeited because it was in excess of the maximum leave ceilings (i.e., 30, 45, or 90 days) if the leave was forfeited because of an administrative error, exigency of the public business, or sickness of the employee. An agency must restore the annual leave in a separate leave account.

Administrative Error

The employing agency determines what constitutes an administrative error.

Exigency of the Public Business

The employing agency determines that an exigency is of major importance and that excess annual leave cannot be used.

Sickness

The employing agency determines that the annual leave was forfeited because of a period of absence due to an employee’s sickness or injury that occurred late in the leave year or was of such duration that the excess annual leave could not be rescheduled for use before the end of the leave year.

An agency may consider for restoration annual leave that was forfeited due to an exigency of the public business or sickness of the employee only if the annual leave was scheduled in writing before the start of the third biweekly pay period prior to the end of the leave year.

Time Limit for Using Restored Annual Leave

An employee must schedule and use restored annual leave not later than the end of the leave year ending 2 years after:

- the date of restoration of the annual leave forfeited because of administrative error;
- the date fixed by the head of the agency or designee as the date of termination of the exigency of the public business; or
- the date the employee is determined to be recovered from illness or injury and able to return to duty.

Restored annual leave that is not used within the established time limits is forfeited with no further right to restoration. Administrative error may not serve as the basis to extend the time limit within which to use restored annual leave. This is so even if the agency fails to establish a separate leave account, fix the date for the expiration of the time limit, or properly advise the employee regarding the rules for using restored annual leave, absent agency regulations requiring otherwise.

National Emergency by Reason of Certain Terrorist Attacks

On March 4, 2002, OPM issued final regulations that permit "use or lose" annual leave to be restored to employees whose services are determined to be necessary for the current national emergency. Such employees are entitled to have their excess annual leave restored without the administrative burden of scheduling and canceling such leave. In addition, the time limitations for using restored annual leave are suspended for the entire period during which employees' services are determined to be essential for activities associated with the national emergency. At the end of the national emergency, or when the services of the employee no longer are determined to be necessary, a new time limit will be established for using all restored leave available to the employee.

Lump-Sum Payments for Annual Leave

An employee will receive a lump-sum payment for any unused annual leave when he or she separates from federal service or enters on active duty in the armed forces and elects to receive a lump-sum payment. Generally, a lump-sum payment will equal the pay the employee would have received had he or she remained employed until expiration of the period covered by the annual leave.

Calculating a Lump-Sum Payment

An agency calculates a lump-sum payment by multiplying the number of hours of accumulated and accrued annual leave by the employee's applicable hourly rate of pay, plus other types of pay the employee would have received while on annual leave, excluding any allowances that are paid for the sole purpose of retaining a federal employee in government service (e.g., retention allowances and physicians comparability allowances).

Types of Pay Included in a Lump-Sum Payment:

- Rate of basic pay
- Locality pay or other similar geographic adjustment
- Within-grade increase (if waiting period met on date of separation)
- Across-the-board annual adjustments
- Administratively uncontrollable overtime pay, availability pay, and standby duty pay
- Night differential (for FWS employees only)
- Regularly scheduled overtime pay under the Fair Labor Standards Act for employees on uncommon tours of duty
- Supervisory differentials
- Non-foreign area cost-of-living allowances and post differentials
- Foreign area post allowances

Return to Federal Service

In calculating a lump-sum payment, an agency projects forward an employee's annual leave for all the workdays the employee would have worked if he or she had remained in federal service. By law, holidays are counted as workdays in projecting the lump-sum leave period. If an employee is reemployed in the federal service prior to the expiration of the period of annual leave (i.e., the lump-sum leave period), he or she must refund the portion of the lump-sum payment that represents the period between the date of reemployment and the expiration of the lump-sum period. An agency re-credits to the employee's leave account the amount of annual leave equal to the days or hours of work remaining between the date of reemployment and the expiration of the lump-sum leave period.

Sick Leave

In addition to annual leave, federal employees also accrue sick leave. Employees may use sick leave for their own personal medical needs; to care for a family member; to care for a family member with a serious health condition; or for adoption-related purposes. As will be explained in more detail below, however, there are special restrictions when an employee uses sick leave to care for a family member or for adoption-related purposes.

Sick Leave Accrual

- Full-time Employees - 1/2 day (4 hours) for each biweekly pay period.
- Part-time Employees - 1 hour for each 20 hours in a pay status.

There are no limits on the amount of sick leave that can be accumulated. Unused sick leave accumulated by employees covered by the Civil Service Retirement System will be used in the calculation of their annuities.

Requesting Sick Leave

An employee must request sick leave within such time limits as the agency may require. An agency may require employees to request advanced approval for sick leave for their own medical, dental, or optical examination or treatment. To the extent possible, an employee may be required to request advanced approval for sick leave to attend to a family member receiving medical, dental, or optical examination or treatment, to care for a sick family member or one with a serious health condition, for bereavement purposes, and for adoption-related proceedings. If the employee complies with the agency's notification and medical evidence/certification requirements, the agency must grant sick leave.

Granting Sick Leave

An agency may grant sick leave only when supported by administratively acceptable evidence. For absences in excess of 3 days or for a lesser period when determined necessary by the agency, an agency may require a medical certificate or other administratively acceptable evidence. An agency may consider an employee's self-certification as to the reason for his or her absence as administratively acceptable evidence, regardless of the duration of the absence. Employees should consult their agency-specific human resources guidance and review applicable policies set forth in collective bargaining agreements for information specific to their agency.

An employee must provide administratively acceptable evidence or medical certification within 15 days of the agency's request. If the employee is unable to provide evidence, despite the employee's diligent, good faith efforts, he or she must provide it within a reasonable period of time, but no later than 30 calendar days after the agency makes the request. If the employee fails to provide the required evidence within the specified time period, he or she is not entitled to sick leave.

Advance Sick Leave

At the discretion of the agency, a maximum of 30 days of sick leave may be advanced to an employee with a medical emergency or for purposes related to the adoption of a child. A maximum of 5 days of sick leave may be advanced for family care or bereavement purposes or to care for a family member with a serious health condition.

Sick Leave for Personal Medical Needs

An employee may use sick leave when he or she (1) is incapacitated for the performance of duties by physical or mental illness, injury, pregnancy, or childbirth; (2) receives medical, dental, or optical examination or treatment; or (3) would, as determined by the health authorities having jurisdiction or by a health care provider, jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease.

Sick Leave for Family Care or Bereavement Purposes

Most full-time federal employees may use a total of up to 104 hours (13 workdays) of sick leave each leave year to:

- provide care for a family member who is incapacitated as a result of physical or mental illness, injury, pregnancy, or childbirth;
- provide care for a family member who would, as determined by the health authorities having jurisdiction or a health care provider, jeopardize the health of others by that family member's presence in the community because of exposure to a communicable disease;
- provide care for a family member as a result of medical, dental, or optical examination or treatment; or
- make arrangements necessitated by the death of a family member or to attend the funeral of a family member.

Part-time employees and employees with uncommon tours of duty are also covered, and the amount of sick leave permitted for family care and bereavement purposes is pro-rated in proportion to the average number of hours of work in the employee's scheduled tour of duty each week.

At the discretion of the agency, an employee may be advanced up to 104 hours of sick leave each year (or a proportional amount for an employee on a part-time schedule or uncommon tour of duty) for family care or bereavement purposes.

Sick Leave to Care for Family Member with Serious Health Condition

Most federal employees may use a total of up to 12 administrative workweeks of sick leave each leave year to care for a family member with a serious health condition. If an employee previously has used any portion of the 13 days of sick leave for general family care or bereavement purposes in a leave year, that amount must be subtracted from the 12-week entitlement. If an employee has already used 12 weeks of sick leave to care for a family member with a serious health condition, he or she cannot use an additional 13 days in the same leave year for general family care purposes. An employee is entitled to a total of 12 weeks of sick leave each year for all family care purposes.

"Family member" for these purposes is defined as:

- spouse, and parents thereof;
- children, including adopted children, and spouses thereof;
- parents;
- brothers and sisters, and spouses thereof; and
- any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

The term "serious health condition" has the same meaning as used in OPM's regulations for administering the Family and Medical Leave Act of 1993 (FMLA). That definition includes such conditions as cancer, heart attacks, strokes, severe injuries, Alzheimer's disease, pregnancy, and childbirth. The term "serious health condition" is not intended to cover short-term conditions for which treatment and recovery are very brief. The common cold, the flu, earaches, upset stomach, headaches (other than migraines), routine dental or orthodontia problems, etc., are not serious health conditions unless complications arise. The agency may require medical certification of a serious health condition.

At the discretion of the agency, an employee may be advanced a maximum of 30 days of sick leave (or a proportional amount for an employee on a part-time schedule or uncommon tour of duty) to provide care for a family member with a serious health condition.

Sick Leave for Adoption

An employee may use sick leave for purposes related to the adoption of a child. The agency may advance up to 30 days of sick leave for adoption-related purposes. Examples of "adoption-related purposes" may include, but are not limited to:

- Appointments with adoption agencies, social workers, and attorneys;
- Court proceedings;
- Required travel;
- Any periods of time the adoptive parents are ordered or required by the adoption agency or by the court to take time off from work to care for the adopted child; and
- Any other activities necessary to allow the adoption to proceed.

Adoptive parents who voluntarily choose to be absent from work to bond with or care for an adopted child may not use sick leave for this purpose. Parents may use annual leave or leave without pay for these purposes. An agency may request administratively acceptable evidence for absences related to adoption.

Bone Marrow or Organ Donor Leave

An employee may use up to 7 days of paid leave each calendar year to serve as a bone-marrow donor. An employee also may use up to 30 days of paid leave each calendar year to serve as an organ donor. Leave for bone marrow and organ donation is a separate category of leave that is in addition to annual and sick leave. Agencies are responsible for informing their employees of the entitlement to leave for bone marrow and organ donation.

Court Leave

An employee is entitled to paid time off without charge to leave for service as a juror or witness. An employee is responsible for informing his or her supervisor if he or she is excused from jury or witness service for one day or more or for a substantial part of a day. To avoid undue hardship, an agency may adjust the schedule of an employee who works nights or weekends and is called to jury duty.

An employee who is summoned to serve as a juror in a judicial proceeding is entitled to court leave. An employee who is summoned as a witness in a judicial proceeding in which the Federal, State, or local government is a party is entitled to court leave. (If there is no jury/witness service, there is no court leave. The employee would be charged annual leave, sick leave, or leave without pay, as appropriate.)

An employee who is summoned as a witness in an official capacity on behalf of the federal government is on official duty, not court leave.

Employees must reimburse to their agency fees paid for service as a juror or witness. However, monies paid to jurors or witnesses that are in the nature of "expenses" (e.g., transportation) do not have to be reimbursed to the agency.

Family and Medical Leave

Under the Family and Medical Leave Act of 1993 (FMLA), most federal employees are entitled to a total of up to 12 workweeks of **unpaid** leave during any 12-month period for the following purposes:

- the birth of a son or daughter of the employee and the care of such son or daughter;
- the placement of a son or daughter with the employee for adoption or foster care;
- the care of spouse, son, daughter, or parent of the employee who has a serious health condition; or
- a serious health condition of the employee that makes the employee unable to perform the essential functions of his or her position.
- any qualifying exigency arising out of the fact that the spouse, or a son, daughter, or parent of the employee is on covered active duty (or has been notified of an impending call or order to covered active duty) in the Armed Forces.

Under certain conditions, an employee may use the 12 weeks of FMLA leave intermittently. An employee may elect to substitute annual leave and/or sick leave, consistent with current laws and OPM's regulations for using annual and sick leave, for any unpaid leave under the FMLA. (The amount of sick leave that may be used to care for a family member is limited.) Note that FMLA leave is in addition to other paid time off available to an employee.

Upon return from FMLA leave, an employee must be returned to the same position or to an "equivalent position with equivalent benefits, pay, status, and other terms and conditions of employment."

An employee who takes FMLA leave is entitled to maintain health benefits coverage. An employee on unpaid FMLA leave may pay the employee share of the premiums on an ongoing basis or pay upon return to work.

An employee must provide notice of his or her intent to take family and medical leave not less than 30 days before leave is to begin, or in emergencies, as soon as is practicable. An agency may request medical certification for FMLA leave taken to care for an employee's spouse, son, daughter, or parent who has a serious health condition or for the serious health condition of the employee.

Military Leave

An employee is entitled to time off at full pay for certain types of active or inactive duty in the National Guard or as a Reserve of the Armed Forces. Any full-time federal civilian employee whose appointment is not limited to one year is entitled to military leave. Military leave is prorated for part-time career employees and employees on an uncommon tour of duty.

Types of Military Leave:

- 5 U.S.C. 6323(a) provides 15 calendar days per fiscal year for active duty, active duty training, and inactive duty training. An employee can carry over a maximum of 15 days into the next fiscal year. Inactive Duty Training is authorized training performed by members of a Reserve component not on active duty and performed in connection with the prescribed activities of the Reserve component. It consists of regularly scheduled unit training periods, additional training periods, and equivalent training.
- 5 U.S.C. 6323(b) provides 22 workdays per calendar year for emergency duty as ordered by the President, the Secretary of Defense, or a State governor. This leave is provided for employees who perform military duties in support of civil authorities in the protection of life and property, or who perform full-time military service as a result of a call or order to active duty in support of a contingency operation.
- 5 U.S.C. 6323(c) provides unlimited military leave to members of the National Guard of the District of Columbia for certain types of duty ordered or authorized under title 39 of the District of Columbia Code.
- 5 U.S.C. 6323(d) provides that Reserve and National Guard Technicians only are entitled to 44 workdays of military leave for duties overseas under certain conditions.
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* The term "contingency operation" means a military operation that:

- (a) is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or
  (b) results in the call or order to, or retention on, active duty of members of the uniformed services under section 688, 12301(a), 12302, 12304, 12305, or 12406 of title 10, United States Code, chapter 15 of title 10, United States Code, or any other provision of law during a war or during a national emergency declared by the President or Congress.

Days of Leave

Military leave should be credited to a full-time employee on the basis of an 8-hour workday. The minimum charge to leave is one hour. An employee may be charged military leave only for hours that the employee would otherwise have worked and received pay.

Employees who request military leave for inactive duty training (which generally is 2, 4, or 6 hours in length) will now be charged only the amount of military leave necessary to cover the period of training and necessary travel. Members of the Reserves and National Guard will no longer be charged military leave for weekends and holidays that occur within the period of military service.

A full-time employee working a 40-hour workweek will accrue 120 hours (15 days x 8 hours) of military leave in a fiscal year, or the equivalent of three 40-hour workweeks. Military leave under 6323(a) will be prorated for part-time employees and for employees on uncommon tours of duty based proportionally on the number of hours in the employee's regularly scheduled biweekly pay period.

Here are some examples:

Hours in the regularly scheduled biweekly pay period	Ratio of hours in the regularly scheduled pay period to an 80-hour pay period (the number of hours in the pay period ÷ 80)	Hours of military leave accrued each fiscal year	Pay Periods of military leave accrued each fiscal year.
40	.5 (40 ÷ 80)	.5 x 120 = 60 hours	1.5 40-hour pay periods
106	1.325 (106 ÷ 80)	1.325 x 120 = 159 hours	1.5 106-hour pay periods
120	1.5 (120 ÷ 80)	1.5 x 120 = 180 hours	1.5 120-hour pay periods
144	1.8 (144 ÷ 80)	1.8 x 120 = 216 hours	1.5 144-hour pay periods

Effect on Civilian Pay

An employee's civilian pay remains the same for periods of military leave under 5 U.S.C. 6323(a), including any premium pay (except Sunday premium pay) an employee would have received if not on military leave. For military leave under 5 U.S.C. 6323(b) and (c), the employee's civilian pay is reduced by the amount of military pay for the days of military leave. However, an employee may choose not to take military leave and instead take annual leave in order to retain both civilian and military pay.

Leave Without Pay

Leave without pay (LWOP) is a temporary non-pay status and absence from duty that, in most cases, is granted at the employee's request. In most instances, granting LWOP is a matter of supervisory discretion and may be limited by agency internal policy.

Employees, however, have an entitlement to LWOP in the following situations:

- The Family and Medical Leave Act of 1993 (FMLA) provides covered employees with an entitlement to a total of up to 12 weeks of unpaid leave (LWOP) during any 12-month period for certain family and medical needs.
- The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) provides employees with an entitlement to LWOP when employment with an employer is interrupted by a period of service in the uniformed service.
- Executive Order 5396, July 17, 1930, provides that disabled veterans are entitled to LWOP for necessary medical treatment.
- Employees may not be in a pay status while receiving workers' compensation payments from the Department of Labor.

Employees should be aware that LWOP affects their entitlement to or eligibility for certain federal benefits. A list of these can be found here: http://www.opm.gov/policy-data-oversight/pay-leave/leave-administration/fact-sheets/effect-of-extended-leave-without-pay-lwop-or-other-nonpay-status-on-federal-benefits-and-programs/.

Leave Transfer and Leave Bank Programs

Leave Bank Program

An employee who is a member of his or her agency's voluntary leave bank may receive annual leave from the leave bank if the employee experiences a personal or family medical emergency and has exhausted his or her available paid leave. The agency's leave bank board operates the leave bank and determines how much donated annual leave an employee may receive from the leave bank. Any unused donated annual leave is returned to the leave bank.

Leave Bank Members and Leave Contributors

To become and remain a leave bank member, an employee must make an application and contribute a minimum amount of annual leave to the leave bank each leave year. The application must specify the number of hours of annual leave to be contributed to the leave bank. The employee makes this donation to establish leave bank membership during annual open enrollment periods or within 30 days of the employee's appointment to the agency or return from extended absence.

A leave bank member may contribute additional annual leave at any time and may also request that annual leave be donated to a specific leave bank member (other than his or her immediate supervisor). An employee who is not a leave bank member may apply to contribute leave at any time. A leave bank member who transfers from a different agency or to a different leave bank is subject to the policies and procedures of the new leave bank, including its minimum contribution requirements.

Leave Recipient

Application to become a leave recipient:

In order to receive donated annual leave, a leave bank member who is affected by a personal or family medical emergency must make written application to the leave bank board. If the member is not capable of making written application, a personal representative may make the application on behalf of the employee.
Each application should include:

- The name, position title, and grade or pay level of the leave bank member.
- The reasons transferred leave is needed, including a brief description of the nature, severity, and anticipated duration of the medical emergency, and if it is a recurring one, the approximate frequency of the medical emergency affecting the leave bank member.
- If required by the leave bank board, certification regarding the medical emergency from one or more physicians or other appropriate experts. (The agency must pay the expenses associated with obtaining agency-required certification from more than one source.)
- Any additional information required by the leave bank board.

Note: When an employee requests leave under the Voluntary Leave Bank Program, the agency may require the employee to document his or her relationship to a family member. Agencies should establish consistent rules and follow the same documentation requirements for all relationships, but agencies still have authority to request additional information in cases of suspected leave abuse.

Approval or Disapproval of Application to Become a Leave Recipient

The leave bank board must determine that the potential leave recipient's absence from duty without available paid leave because of the medical emergency is (or is expected to be) at least 24 work hours, which may be consecutive or intermittent. For a part-time employee or an employee on an uncommon tour of duty, the period of absence without paid leave is prorated. This period of unpaid absence qualifies as a substantial loss of income for purposes of the medical emergency determination.

The leave bank board must provide timely written notification to an applicant as to whether or not his or her application has been approved. If the leave bank board disapproves an application, the notification must include the reasons for disapproval.

An employee may receive donated annual leave when he or she becomes an approved leave recipient.

Minimum and Maximum Limitations on Leave Donations

The minimum contribution required to become a leave bank member cannot be less than the amount of annual leave he or she normally accrues in a pay period (i.e., 4, 6, or 8 hours). In any leave year, an employee may donate not more than one-half of the amount of annual leave he or she would accrue during the leave year. An employee with "use or lose" annual leave may donate the lesser of one-half of the annual leave he or she would accrue in a leave year or the number of hours remaining in the leave year for which he or she is scheduled to work and receive pay. These limitations apply to a combined total amount of annual leave donated by an employee under the VLTP and an agency leave bank program. Each agency must establish written criteria for waiving the limitations on donating annual leave. The maximum donation amount applies to the total amount of annual leave donated to the leave bank and leave transfer programs.

Set-Aside Accounts

While using donated leave, a leave recipient may accrue no more than 40 hours of annual leave and 40 hours of sick leave in "set-aside accounts." The leave in the set-aside accounts will be transferred to the employee's regular leave accounts when the medical emergency ends or if the employee exhausts all donated leave. Leave in set-aside accounts is not available for use by the employee until transferred to the employee's regular leave accounts.

An employee who returns to work part-time and who uses donated leave part-time accrues leave in his or her regular annual and sick leave accounts for the time spent in work status and in his or her set aside annual and sick leave accounts for the time spent in shared leave status (when using donated leave).

Leave Transfer Program

An employee may donate annual leave directly to another federal employee who has a personal or family medical emergency and who has exhausted his or her available paid leave. Each agency must administer a voluntary leave transfer program for its employees. There is no limit on the amount of donated annual leave a leave recipient may receive from the leave donor(s). However, any unused donated leave must be returned to the leave donor(s) when the medical emergency ends. An employee may participate concurrently in both the VLTP and the Voluntary Leave Bank Program, if available.

Emergency Leave Transfer Program

In the event of a major disaster or emergency; as declared by the President that results in severe adverse effects for a substantial number of employees, the President may direct the U.S. Office of Personnel Management (OPM) to establish an emergency leave transfer program (ELTP). Under an ELTP, a covered employee in an executive agency or the judicial branch, or an agency leave bank, may donate annual leave for transfer to employees of the same or other agencies who are adversely affected, or have family members who are adversely affected, by the disaster or emergency (e.g., floods, earthquakes, hurricanes, bombings).

Holidays

Federal law (5 U.S.C. 6103) establishes the following public holidays for Federal employees. Please note that most Federal employees work on a Monday through Friday schedule. For these employees, when a holiday falls on a non-workday -- Saturday or Sunday -- the holiday usually is observed on Monday (if the holiday falls on Sunday) or Friday (if the holiday falls on Saturday).

The following days have been established by Congress as legal public holidays for 2014:

Wednesday, January 1	New Year's Day
Monday, January 20	Birthday of Martin Luther King, Jr.
Monday, February 17*	Washington's Birthday
Monday, May 26	Memorial Day

Friday, July 4	Independence Day
Monday, September 1	Labor Day
Monday, October 13	Columbus Day
Tuesday, November 11	Veterans Day
Thursday, November 27	Thanksgiving Day
Thursday, December 25	Christmas Day

** This holiday is designated as "Washington's Birthday" in section 6103(a) of title 5 of the United States Code, which is the law that specifies holidays for Federal employees. Though other institutions such as state and local governments and private businesses may use other names, it is our policy to always refer to holidays by the names designated in the law.*

* When a federal holiday falls on a Saturday, it is usually observed on the preceding Friday. When the holiday falls on a Sunday, it is usually observed on the following Monday.

"In Lieu of" Holidays

All full-time employees, including those on flexible or compressed work schedules, are entitled to an "in lieu of" holiday when a holiday falls on a non-workday. In such cases, the employee's holiday is the basic workday immediately preceding the non-workday. A basic workday for this purpose includes a day when part of the basic work requirement for an employee under a flexible work schedule is planned or scheduled to be performed.

There are three exceptions:

- If the non-workday is Sunday (or an "in lieu of" Sunday), the next basic workday is the "in lieu of" holiday.
- If Inauguration Day falls on a non-workday, there is no provision for an "in lieu of" holiday.
- If the head of an agency determines that a different "in lieu of" holiday is necessary to prevent an "adverse agency impact," he or she may designate a different "in lieu of" holiday for full-time employees under compressed work schedules.

An employee is not entitled to another day off as an "in lieu of" holiday if a federal office or facility is closed on a holiday because of a weather emergency or when employees are furloughed on a holiday.

Two Holidays in One Pay Period

Occasionally, two holidays will fall within the same pay period. A full-time employee on a flexible work schedule is entitled to 8 hours of pay on a holiday when the employee does not work. (See 5 U.S.C. 6124.) Therefore, when two 8-hour holidays fall within the same pay period, full-time employees on a 5/4-9 flexible schedule (or other flexible schedules under which employees work more than 8 hours a day) must make arrangements to work extra hours during other regularly scheduled workdays (or take annual leave or use credit hours or compensatory time off) in order to fulfill the 80-hour biweekly work requirement.

Holidays for Employees Outside the United States

Holidays designated by law to occur on Monday (i.e., Birthday of Martin Luther King, Jr., Washington's Birthday, Memorial Day, Labor Day, and Columbus Day) are moved to Sundays for employees at duty posts outside the United States who are regularly scheduled to work on Monday. This applies to employees whose basic workweek is Sunday through Thursday. However, it does not apply to employees whose basic workweek is Monday through Friday or Monday through Saturday. This rule does not apply to "in lieu of" holidays.

Presidential Closing of Agencies

Presidents occasionally issue Executive Orders closing federal departments and agencies for part or all of a workday. Employees are excused from duty during such periods unless they are "emergency employees," as determined by their agencies. Such Executive Orders often provide that the time off will be treated like a holiday for pay and leave

purposes. Employees who are required to work during their basic tour of duty on such days are entitled to holiday premium pay.

Part-Time Employees

A part-time employee is entitled to a holiday when the holiday falls on a day when he or she would otherwise be required to work or take leave. This does not include overtime work.

Part-time employees who are excused from work on a holiday receive their rate of basic pay for the hours they are regularly scheduled to work on that day.

Standard (40-Hour/5-Day Week) Work Schedules:

On a holiday, part-time employees under standard work schedules are generally excused from duty for the number of basic (non-overtime) hours they are regularly scheduled to work on that day, not to exceed 8 hours.

Flexible Work Schedules:

On a holiday, part-time employees under a flexible work schedule are generally excused from duty for the number of hours of their "basic work requirement" (i.e., non-overtime hours) on that day, not to exceed 8 hours. (See 5 CFR 610.405.) In the event the President issues an Executive order granting a "half-day" holiday, a part-time employee on a flexible work schedule is generally excused from duty for half the number of hours in his or her "basic work requirement" on that day, not to exceed 4 hours.

Compressed work schedules:

On a holiday, part-time employees under a compressed work schedule are generally excused from all of the hours of their compressed work schedules (i.e., "basic work requirement") on that day. (See 5 CFR 610.406(b).) In the event the President issues an Executive order granting a "half-day" holiday, a part-time employee on a compressed work schedule is generally excused from half of the hours of his or her compressed work schedule on that day.

If a holiday falls on a non-workday, part-time employees are not entitled to an "in lieu of" holiday. If an agency's office or facility is closed due to an "in lieu of" holiday for full-time employees, the agency may grant paid excused absence to part-time employees who are otherwise scheduled to work on that day.

Alternative Work Schedules

An agency may implement for its employees an alternative work schedule (AWS) instead of a traditional fixed work schedule (e.g., 8 hours per day, 40 hours per week). Within rules established by the agency, alternative work schedules can enable employees to have work schedules that help them balance their work and family responsibilities. There are two categories of Alternative Work Schedules: Compressed Work Schedules (CWS) and Flexible Work Schedules (FWS).

Compressed Work Schedules

Compressed Work Schedules (CWS) are fixed work schedules, but they enable full-time employees to complete the basic 80-hour biweekly work requirement in less than 10 workdays.

Employee Coverage

A federal employee, as defined in section 2105(a) or (c) of title 5, United States Code, who is employed by an agency, as defined in 5 U.S.C. 6121(1), may be covered by a CWS. An employee may request to be excluded for a personal hardship.

Implementation Restrictions

For employees in a bargaining unit, the agency must successfully negotiate a CWS program with the union for a represented group of employees prior to implementation. For employees not in a bargaining unit, the agency must secure a favorable vote from the majority of employees in the affected group before implementing a CWS program. You can find out more here: http://www.opm.gov/policy-data-oversight/pay-leave/work-schedules/fact-sheets/alternative-work-schedules-compressed-work-schedules/

Credit Hours

For a full-time employee under a CWS program that is exempt from the FLSA, overtime hours are all officially ordered and approved hours of work in excess of the compressed work schedule. For a full-time employee who is covered by the FLSA (non-exempt), overtime hours also include any hours worked outside the compressed work schedule that are "suffered or permitted." For a part-time employee, overtime hours are hours in excess of the compressed work schedule for a day (but must be more than 8 hours) or for a week (but must be more than 40 hours).

Overtime

For a full-time employee under a CWS program that is exempt from the FLSA, overtime hours are all officially ordered and approved hours of work in excess of the compressed work schedule. For a full-time employee who is covered by the FLSA (non-exempt), overtime hours also include any hours worked outside the compressed work schedule that are "suffered or permitted." For a part-time employee, overtime hours are hours in excess of the compressed work schedule for a day (but must be more than 8 hours) or for a week (but must be more than 40 hours).

Compensatory Time Off

An employee on a CWS may request compensatory time off only for the performance of irregular or occasional overtime work. Compensatory time off may not be approved for any member of the Senior Executive Service (SES).

Night Pay

The normal premium pay rules apply for night pay. See 5 CFR 550.121 and 122 for General Schedule employees and 5 CFR 532.505 for prevailing rate employees.

Holidays

On holidays, an employee is normally excused from work and entitled to basic pay for the number of hours of his or her CWS on that day. In the event the President issues an Executive Order granting a "half-day" holiday, full-time CWS employees are normally excused from work during the last half of their "basic work requirement" (i.e., non-overtime hours) on that day.

Holiday Premium Pay

Holiday premium pay (equal to 100 percent of the rate of basic pay) is paid for non-overtime hours of work that fall within the hours regularly scheduled on the holiday.

Sunday Premium Pay

Sunday premium pay is paid for non-overtime work performed by full-time employees. For an employee on a CWS, Sunday premium pay is paid for the entire non-overtime regularly scheduled tour of duty that begins or ends on Sunday. It may not be paid for periods of non-work, including leave, holidays, and excused absence.

Flexible Work Schedules

Flexible Work Schedules (FWS) consist of workdays with (1) core hours and (2) flexible hours. Core hours are the designated period of the day when all employees must be at work. Flexible hours are the part of the workday when employees may (within limits or "bands") choose their time of arrival and departure. Within limits set by their agencies, FWS can enable employees to select and alter their work schedules to better fit personal needs and help balance work, personal, and family responsibilities. The OPM has created a handbook on flexible work schedules that can be downloaded here: http://www.opm.gov/policy-data-oversight/pay-leave/reference-materials/handbooks/alternative-work-schedules/

Employee Coverage

A federal employee, as defined in section 2105(a) or (c) of title 5, United States Code, who is employed by an agency, as defined in 5 U.S.C. 6121(1), may be covered by a flexible work schedule. Flexible work schedules are voluntary work schedules that are approved by supervisors or managers. Employees are not automatically entitled to flexible work schedules.

Credit Hours

Credit hours are any hours within an FWS that are in excess of an employee's basic work requirement (e.g., 40 hours a week) that the employee elects to work to vary the length of a workweek or a workday. Agencies may limit or restrict the earning and use of credit hours. OPM regulations prohibit Senior Executive Service (SES) members from accumulating credit hours under AWS programs. The law prohibits carrying over more than 24 credit hours from one pay period to the next.

Types of FWS

There are various types of FWS arrangements that provide different degrees of flexibility. These include flexitour, gliding, variable day, variable week, and maxiflex schedules.

Overtime Hours

Overtime work means all hours of work in excess of 8 hours in a day or 40 hours in a week, which are officially ordered in advance. This is not the same as flexible working hours, as it refers to hours worked, not the time of day in which those hours are worked.

Compensatory Time Off

An employee who is not a member of the Senior Executive Service may request compensatory time off in lieu of payment for irregular or occasional overtime work or regularly scheduled overtime work.

Night Pay

In general, premium pay for night work is not paid to a General Schedule (GS) employee solely because the employee elects to work credit hours, or elects a time of arrival or departure, at a time when night pay is authorized.

However, agencies must pay night pay to GS employees for those hours that must be worked between 6 p.m. and 6 a.m. to complete an 8-hour tour of duty. Agencies must also pay night pay for all designated core hours worked between 6 p.m. and 6 a.m. and for any regularly scheduled overtime work between those hours.

Note: For prevailing rate (wage) employees, see 5 U.S.C. 6123(c)(2).

Holidays

On holidays, a full-time FWS employee is limited to 8 hours of basic pay. A part-time FWS employee is entitled to basic pay for the number of hours scheduled for the holiday, not to exceed 8 hours. In the event the President issues an Executive Order granting a "half-day" holiday, full-time FWS employees are entitled to basic pay for the last half of their "basic work requirement" (i.e., non-overtime hours) on that day, not to exceed 4 hours.

Holiday Premium Pay

Holiday premium pay (equal to 100 percent of the rate of basic pay) is limited to non-overtime hours worked, not to exceed a maximum of 8 non-overtime hours per holiday.

Sunday Premium Pay

Sunday premium pay is paid for non-overtime work performed by full-time employees only. A full-time FWS employee earns Sunday premium pay for an entire non-overtime regularly scheduled tour of duty (not to exceed 8 hours) that begins or ends on Sunday. It may not be paid for periods of non-work, including leave, holidays, and excused absence.

Adjustment of Work Schedules for Religious Observance

To the extent that modifications in work schedules do not interfere with the efficient accomplishment of an agency's mission, an employee whose personal religious beliefs require that he or she abstain from work at certain times of the workday or workweek must be permitted to work alternative work hours so that the employee can meet the religious obligation. The hours worked in lieu of the normal work schedule do not create any entitlement to premium pay (including overtime pay). Adjustments of work schedules for religious observances may be approved for an employee who is employed in or under an executive agency.

Employee Coverage

Adjustments of work schedules for religious observances may be approved for an employee who is employed in or under an executive agency, as defined in section 105 of title 5, United States Code.

Approval

Agencies should require employees to submit a written request for an adjusted work schedule in advance. An employee should specifically state that his or her request for an adjusted work schedule is for religious purposes and should provide acceptable documentation of the need to abstain from work.

When deciding whether an employee's request for an adjusted work schedule should be approved, a supervisor should not make any judgment about the employee's religious beliefs or his or her affiliation with a religious organization. A supervisor may disapprove an employee's request if modifications of an employee's work schedule would interfere

with the efficient accomplishment of the agency's mission. If an employee's request is approved, a supervisor may determine whether the alternative work hours will be scheduled before or after the religious observance.

Documenting an Adjusted Work Schedule

An employee's request for time off should not be granted without simultaneously scheduling the hours during which the employee will work to make up the time. This provides a clear record of the employee's adjusted work schedule. An employee should be allowed to accumulate only the number of hours of work needed to make up for previous or anticipated absences from work for religious observances.

If an employee is absent when he or she is scheduled to perform work to make up for a planned absence for a religious observance, the employee must take paid leave, request leave without pay, or be charged absent without leave, if appropriate. These are the same options that apply to any other absence from an employee's basic work schedule.

Impact on Pay

The overtime pay provisions of title 5, United States Code, and the Fair Labor Standards Act of 1938, as amended, do not apply to employees who work different hours or days because of religious observances, even if an employee voluntarily works in excess of 40 hours per week or 8 hours per day for this purpose. If an employee is separated or transferred before using the time set aside for religious observances, any hours not used must be paid at the employee's rate of basic pay in effect when the extra hours of work were performed.

Employee Assistance Programs

Every federal agency has an Employee Assistance Program (EAP), which has the goal of helping employees with any problems they may face and restoring them to full productivity. Specifically, the EAP provides free, confidential short term counseling to identify the employee's problem and, when appropriate, to make a referral to an outside organization, facility, or program that can assist the employee in resolving the issue. It is the employee's responsibility to follow through with this referral, and it is also the employee's responsibility to make the necessary financial arrangements for any treatment.

EAPs are available for employees who have alcohol and/or drug problems and who are seeking rehabilitation and the opportunity to become more fully productive members of the workforce. Managers and supervisors are urged to become familiar with the EAP and to make referrals and/or to recommend to employees that they seek help through the EAP. Participation in the EAP is voluntary; it is the employee's decision whether to participate or not.

In addition to substance abuse problems, most agency EAPs provide comprehensive counseling and referral services to help employees achieve a balance between work, family, and other responsibilities. Job effectiveness can be adversely affected when employees are faced with mental or emotional problems, difficult family situations, financial or legal difficulties, or dependent care needs. EAP can be extremely important in the prevention of, and intervention in, workplace violence incidents; the delivery of critical incident stress debriefings; and providing assistance to employees during agency restructuring.

To locate the EAP serving your federal agency, call your Human Resources office and ask for the telephone number or visit http://apps.opm.gov/CCLContact/index.aspx for a list of contacts.

Federal Employees Health Benefits Program

The Federal Employees Health Benefits (FEHB) Program can help you and your family; meet your health care needs. Federal employees, retirees and their survivors enjoy the widest selection of health plans in the country. You can choose from among Consumer-Driven and High Deductible plans that offer catastrophic risk protection with higher deductibles, health savings/reimbursable accounts and lower premiums, or Fee-for-Service (FFS) plans, and their Preferred Provider Organizations (PPO), or Health Maintenance Organizations (HMO) if you live (or sometimes if you work) within the area serviced by the plan.

Basic FEHB Eligibility

As a Federal employee, you are eligible to elect FEHB coverage, unless your position is excluded by law or regulation. Your agency applies these rules and determines your eligibility. However, there are numerous special provisions for people in part-time or intermittent employment, temporary appointments, and specifically named positions. This chapter in the *FEHB Handbook* explains these provisions.

Retirees and Survivor Annuitants

Federal retirees and their surviving spouses retain their eligibility for FEHB health coverage at the same cost as current employees. In order to carry your FEHB coverage into retirement, you must be entitled to retire on an immediate annuity under a retirement system for civilian employees (including the Federal Employees Retirement System (FERS) Minimum Retirement Age (MRA) + 10 retirement) and must have been continuously enrolled (or covered as a family member) in any FEHB plan(s) for the 5 years of service immediately before the date your annuity starts, or for the full period(s) of service since your first opportunity to enroll (if less than 5 years). The 5 year requirement period can include the following: the time you are covered as a family member under another person's FEHB enrollment; or the time you are covered under the Uniformed Services Health Benefits Program (also known as TRICARE) as long as you were covered under an FEHB enrollment at the time of your retirement.

Temporary Continuation of Coverage (TCC)

TCC is a feature of the FEHB Program that allows certain people to temporarily continue their FEHB coverage after regular coverage ends. TCC enrollees must pay the full premium for the plan they select (that is, both the employee and Government shares of the premium) plus a 2 percent administrative charge.

FEHB for Dependents

Family members eligible for coverage under your Self and Family enrollment are your spouse (including a valid common law marriage) and children under age 26, including legally adopted children, stepchildren, and recognized natural (born out of wedlock) children. Foster children are included if they live with you in a regular parent-child relationship. A child age 26 or over who is incapable of self-support because of a mental or physical disability that existed before age 26 is also an eligible family member. Your employing office will look at the child's relationship to you as the enrollee to determine whether the child is a covered family member. In determining whether the child is a covered family member, your employing office will look at the child's relationship to you as the enrollee.

Former Spouses

Under the Civil Service Retirement Spouse Equity Act of 1984, certain former spouses of Federal employees, former employees, and annuitants may qualify to enroll in a health benefits plan under the FEHB Program.

CHAMPUS, TRICARE and Tricare-for-Life

OPM has issued a final rule to allow TRICARE and CHAMPVA eligible FEHB Program annuitants, survivors, and

former spouses to suspend their FEHB enrollments, and then return to the FEHB Program during the Open Season, or return to FEHB coverage immediately if they involuntarily lose this non-FEHB coverage.

Civilian Employees on Active Military Duty

Federal employee reservists who are placed in a leave without pay status when called to active duty for more than 30 days can keep their FEHB coverage for up to 24 months. The reservist is responsible for paying the enrollee share of the premium during the first 12 months, and the agency pays the agency's share.

Temporary Firefighters and Fire Protection Personnel

OPM has issued regulations to extend coverage under the Federal Employees Health Benefits (FEHB) program to temporary firefighters and fire protection personnel working on wildland fires across the country. Coverage became available beginning on July 17, 2012.

Enrollment

During the annual FEHB Open Season, anyone eligible to participate in the FEHB Program may enroll, change health plans or options, cancel your FEHB enrollment, and change participation in premium conversion (waive or begin participation).

Outside of Open Season, newly eligible employees may enroll within 60 days of their becoming eligible for the program, members who move outside of the area covered by their plan may enroll in a different plan covering their new location, and OPM may announce special Open Seasons affecting members of specific plans only. There are also a number of other circumstances which can make you eligible to enroll or change your FEHB coverage outside of Open Season.

Types of Plans

Choose a Plan and Enroll

Different types of plans help you get and pay for care differently.

Fee-For-Service (FFS) plans generally use two approaches.

Fee-for-Service (FFS) Plans (non-PPO) - A traditional type of insurance in which the health plan will either pay the medical provider directly or reimburse you after you have filed an insurance claim for each covered medical expense. When you need medical attention, you visit the doctor or hospital of your choice. This approach may be more expensive for you and require extra paperwork.

Fee-for-Service (FFS) Plans with a Preferred Provider Organization (PPO) - An FFS option that allows you to see medical providers who reduce their charges to the plan; you pay less money out-of-pocket when you use a PPO provider. When you visit a PPO you usually won't have to file claims or paperwork. However, going to a PPO hospital does not guarantee PPO benefits for all services received within that hospital. For instance, lab work and radiology services from independent practitioners within the hospital may not be covered by the PPO agreement. Most networks are quite wide, but they may not have all the doctors or hospitals you want. This approach usually will save you money.

Generally enrolling in a FFS plan does not guarantee that a PPO will be available in your area. PPOs have a stronger presence in some regions than others, and *in areas where there are regional PPOs, the non-PPO benefit is the standard benefit. In "PPO-only" options, you must use PPO providers to get benefits.*

Health Maintenance Organization (HMO) - A health plan that provides care through a network of physicians and hospitals in particular geographic or service areas. HMOs coordinate the health care service you receive and free you from completing paperwork or being billed for covered services. Your eligibility to enroll in an HMO is determined by where you live or, for some plans, where you work. Some HMOs are affiliated with or have arrangements with HMOs

in other service areas for non-emergency care if you travel or are away from home for extended periods. Plans that offer reciprocity discuss it in their brochure. HMOs limit your out-of-pocket costs to the relatively low amounts shown in the benefit brochures.

- The HMO provides a comprehensive set of services - as long as you use the doctors and hospitals affiliated with the HMO. HMOs charge a copayment for primary physician and specialist visits and generally no deductible or coinsurance for in-hospital care.
- Most HMOs ask you to choose a doctor or medical group to be your primary care physician (PCP). Your PCP provides your general medical care. In many HMOs, you must get authorization or a "referral" from your PCP to see other providers. The referral is a recommendation by your physician for you to be evaluated and/or treated by a different physician or medical professional. The referral ensures that you see the right provider for the care most appropriate to your condition.
- Care received from a provider not in the plan's network is not covered unless it's emergency care or the plan has a reciprocity arrangement.

HMO Plans Offering a Point of Service (POS) Product - In an HMO, the POS product lets you use providers who are not part of the HMO network. However, you pay more for using these non-network providers. You usually pay higher deductibles and coinsurances than you pay with a plan provider. You will also need to file a claim for reimbursement, like in a FFS plan. The HMO plan wants you to use its network of providers, but recognizes that sometimes enrollees want to choose their own provider.

Some plans are Point of Service (POS) plans and have features similar to both FFS plans and HMOs.

Consumer-Driven Health Plans (CDHP) - Describes a wide range of approaches to give you more incentive to control the cost of either your health benefits or health care. You have greater freedom in spending health care dollars up to a designated amount, and you receive full coverage for in-network preventive care. In return, you assume significantly higher cost sharing expenses after you have used up the designated amount. The catastrophic limit is usually higher than those common in other plans.

Health Reimbursement Arrangement (HRA) - Health Reimbursement Arrangements are a common feature of Consumer-Driven Health Plans. They may be referred to by the health plan under a different name, such as Personal Care Account. They are also available to enrollees in High Deductible Health Plans who are ineligible for an HSA. HRAs are similar to HSAs except an enrollee cannot make deposits into and HRA, a health plan may impose a ceiling on the value of an HRA, interest is not earned on an HRA, and the amount in an HRA is not transferable if the enrollee leaves the health plan.

Health Savings Account (HSA) - A Health Savings Account allows individuals to pay for current health expenses and save for future qualified medical expenses on a pretax basis. Funds deposited into an HSA are not taxed, the balance in the HSA grows tax-free, and that amount is available on a tax-free basis to pay medical costs. To open an HSA, you must be covered under a High Deductible Health Plan and cannot be eligible for Medicare or covered by another plan that is not a High Deductible Health Plan or a general purpose HCFSA or be dependent on another person's tax return. HSAs are subject to a number of rules and limitations established by the Department of Treasury.

High Deductible Health Plan (HDHP) - A High Deductible Health Plan is a health insurance plan in which the enrollee pays a deductible of at least $1,200 (Self Only coverage) or $2,400 (family coverage). The annual out-of-pocket amount (including deductibles and copayments) the enrollee pays cannot exceed $5,800 (Self Only coverage) or $11,600 (family coverage). HDHPs can have first dollar coverage (no deductible) for preventive care and higher out-of-pocket copayments and coinsurance for services received from non-network providers. HDHPs offered by the FEHB Program establish and partially fund HSAs for all eligible enrollees and provide a comparable HRA for enrollees who are eligible for an HSA. The HSA premium funding or HRA credit amounts vary by plan.

Comparing the Types of Plans

You are in an FFS plan and do not use the PPO (or one is not available):

- You will generally pay more when you get care

- Fewer preventive health care services may be covered
- You will have to file claims for services yourself

You are in an FFS plan and use the PPO:

- You will generally pay less when you get care
- More preventive health care services may be covered
- You may have less paperwork

You are in an FFS plan's "PPO-only" option:

- You must use network providers to get benefits
- You will generally pay copayments and have no deductibles
- You will have little, if any, paperwork

You belong to an HMO:

- You will have limitations on the doctors and other providers you can use
- You will usually pay less when you get care
- You will have little, if any, paperwork
- More preventive health care services may be covered

You belong to a POS plan and use only the providers in that network:

- You will pay less when you get care
- You will get full network benefits and coverage
- You will have very little paperwork

You belong to a POS and do not use network providers or referral procedures:

- You will pay more when you get care
- Some services may not be covered out of network at all
- You generally have to file claims for services yourself

Be sure to look at the primary care physicians, specialists, and hospitals with which your health plan contracts (the provider network). Does it promote prevention and early detection and intervention? Does it have the specialists to treat your chronic condition? Does it contract with a hospital close to your home?

You belong to an HDHP and use only the providers in that network:

- You will usually pay less when you get care
- Preventive care is often covered in full, usually with no or only a small deductible or copayment

2014 Premiums

In addition to the biweekly and monthly premiums, you can also find the total premiums, the amount the government pays, and the change in your portion of the premium compared to last year. Note: Non-U.S. Postal Rates apply to enrollees who are not employed by the U.S. Postal Service. U.S. Postal Rates apply to enrollees who are employed by the U.S. Postal Service.

HMO (Regional Plans with Specific Service Areas)

- Non-U.S. Postal Rates [638 KB File]

- U.S. Postal Rates [1.2 KB File]

FFS (Fee-for-Service/Nationwide Plans)

- Non-U.S. Postal Rates [55 KB File]
- U.S. Postal Rates [52 KB File]

What the FEHB Program Offers

The FEHB Program offers:

- Group-rated premiums and benefits;
- A government contribution toward the cost of your plan;
- Your choice of plans and options;
- Annual enrollment opportunities (called Open Season);
- Guaranteed coverage that your plan can't cancel;
- No waiting periods, medical examinations or restrictions because of age or physical condition;
- Catastrophic protection against unusually large medical bills;
- Salary deduction for premiums;
- Temporary continuation of FEHB coverage or conversion to an individual contract after your enrollment or a family member's coverage ends;
- Continued group coverage into retirement or while you are receiving Workers' Compensation; and
- Continued group coverage for your family after you die.

Cost of FEHB Coverage

You share the cost of your health benefits coverage with the government. Most full-time employees pay approximately 25% of the total premium. Premiums and the government contribution change yearly. If you are a part-time employee, your share of the premiums will be greater than for a full-time employee. Ask your human resources office for information about the cost of your enrollment. If you are a temporary employee, former spouse, or person enrolled under temporary continuation of coverage, the government does not contribute toward the cost of your enrollment. You must pay both the government and employee shares of the cost.

Premium Conversion
Premium conversion is a method of reducing your taxable income by the amount of your FEHB insurance premium. Section 125 of the Internal Revenue Code allows your employer to provide a portion of your salary in pre-tax benefits rather than in cash. The effect is that your taxable income is reduced.

You save on:

- Federal income tax
- Social Security tax
- Medicare tax, and
- State and local income tax (in most states and localities)

Premium conversion has no effect on:

- statutory pay provisions
- the General Schedule
- the amount of your health insurance premium
- the government contribution towards your FEHB premium, or
- your base pay for retirement, life insurance, or the Thrift Savings Plan

You are automatically enrolled in premium conversion effective the first pay period on or after October 1, 2000, if you are an active employee of the Executive Branch of the federal government and you participate in the FEHB Program.

If the Executive Branch does not employ you, or an Executive Branch agency does not issue your pay, you may participate in premium conversion if your employer offers it. The federal judiciary, the U.S. Postal Service, and some Executive Branch agencies with independent compensation-setting authority already offer their own premium conversion plans.

You may only waive participation in premium conversion:

- At the initial premium conversion effective date
- During an open season
- When you are first hired or hired as a reemployed annuitant
- When you leave federal service and are rehired in a different calendar year, or
- When you have a qualifying life event (whether or not you change your FEHB enrollment)

You can cancel your waiver and participate in premium conversion:

- When you have a qualifying life event; or
- During an open season.

Retirees and persons paying FEHB premiums directly (not by payroll deduction) are not eligible for premium conversion.

A qualifying life event includes:

- Addition of a dependent
- Birth or adoption of a child
- Changes in entitlement to Medicare or Medicaid for you, your spouse, or dependent
- Change in work site
- Change in your employment status or that of your spouse or dependent from full-time to part-time, or the reverse
- Death of your spouse or dependent
- Divorce or annulment
- Loss of a dependent
- Marriage
- Significant change in the health coverage of you or your spouse related to your spouse's employment
- Start or end of an unpaid leave of absence by you or your spouse
- Start or end of your spouse's employment

Types of Enrollment Available

The FEHB Program offers two types of enrollment:

Self Only

A self only enrollment provides benefits only for you as the enrollee. You may enroll for self only even though you have a family, but they will not be eligible for FEHB coverage (even upon your death or disability).

Self and Family

A self and family enrollment provides benefits for you and your eligible family members. All of your eligible family members are automatically covered, even if you didn't list them on your Health Benefits Election Form (SF 2809) or other appropriate request. You cannot exclude any eligible family member and you cannot provide coverage for anyone who is not an eligible family member.

You may enroll for self and family coverage before you have any eligible family members. Then, a new eligible family member (such as a newborn child or a new spouse) will be automatically covered by your family enrollment from the date he/she becomes a family member. When a new family member is added to your existing self and family

enrollment, you do not have to complete a new SF 2809 or other appropriate request, but your carrier may ask you for information about your new family member. You will send the requested information directly to the carrier. Exception: if you want to add a foster child to your coverage, you must provide eligibility information to your employing office.

Both Husband and Wife Eligible to Enroll

If both you and your spouse are eligible to enroll, one of you may enroll for self and family to cover your entire family. If you have no eligible children to cover, each of you may enroll for self only in the same or different plans. Generally, you will pay lower premiums for two self only enrollments.

Coverage for Family Members

The family members covered under a "self and family" enrollment are:

- Your spouse
- Your unmarried dependent children under age 22. In addition to natural children of a marriage, this includes a legally adopted child; your recognized natural child, if you live together in a parent-child relationship, or the child is financially dependent upon you, or if there is a judicial determination of support; your stepchild, if you live together in a parent-child relationship; your foster child, if you live together in a parent-child relationship and you expect to raise the child to adulthood; and your unmarried dependent child age 22 or over who is incapable of self-support because of a disability that existed before age 22. You must expect the disability to continue for at least one year, and the disability must be the reason the child isn't capable of self-support.

When Family Members Lose Coverage

Your former spouse loses coverage as a family member upon your divorce, subject to a 31-day extension of coverage. However, his or her enrollment under the spouse equity provisions may not begin for several months after the divorce, depending on how long it takes to establish eligibility. To avoid a gap in coverage for this period, your former spouse may:

- Convert to an individual contract during the 31-day extension of coverage; or
- Continue FEHB coverage under the Temporary Continuation of Coverage (TCC) provisions of the FEHB law.

If your former spouse will seek coverage under spouse equity provisions, it is advisable to stay with the same plan.

If your former spouse acts promptly, he or she may request retroactive enrollment once the application for enrollment under the spouse equity provisions has been approved. For enrollment to be retroactive, the employing office must receive an appropriate request and satisfactory proof of eligibility within 60 days after the date of divorce.

Your child immediately loses coverage under yourself and family enrollment when:

- Your child reaches age 22, unless he or she is incapable of self support
- Your child marries
- Your disabled child age 22 or over marries or becomes capable of self-support, or
- Your stepchild or foster child stops living with you in a parent-child relationship

Changing from Self and Family to Self Only Enrollment

If you participate in premium conversion, you may change to a self only enrollment during the annual Open Season or within 60 days after you have a qualifying life event. The change in enrollment must be consistent with your qualifying life event. For example, if you get divorced, changing to a self only enrollment would be consistent with that qualifying life event. If you adopt a child, a change from self and family to self only coverage would not be consistent with that qualifying life event. If you have waived participation in premium conversion, you may change to a self only enrollment or cancel your enrollment at any time.

When Coverage is Permitted Under More Than One FEHB Enrollment

Dual enrollment must be authorized by your employing office(s) and will only be allowed when you or an eligible family member would otherwise lose coverage. Some examples of allowable dual enrollment include when:

- you and your spouse legally separate and both of you retain custody of your children by prior marriages
- you and your spouse have children from prior marriages who don't live with you
- you and your spouse legally separate and you or your children would lose full health benefits coverage (e.g., you move outside your HMO's service area and your spouse refuses to change health plans or your spouse refuses to pass along reimbursements for health benefits claims filed)
- you and your spouse divorce
- you are under age 22, covered by your parent's enrollment, and become a parent

No enrollee or family member may receive benefits under more than one FEHB enrollment. If your employing office authorizes a dual enrollment, you may be covered and receive benefits only under your own enrollment. You must inform the carriers involved which family members will be covered and receive benefits under which enrollment. If you or a family member receives benefits under more than one plan, it is considered fraud and you are subject to disciplinary action.

Time Periods for Enrolling or Changing FEHB Enrollment:

I am …	When Can I Enroll?
A new employee	Within 60 days after your appointment date
Moving to a position that offers FEHB coverage. My previous position was excluded from coverage.	Within 60 days after your appointment date
An eligible employee, but I am not enrolled in FEHB	Open season, or when another event permitting enrollment occurs (such as a change in family status or employment status)
Enrolled in FEHB, and I want to change my enrollment	Open season, or when another event permitting enrollment occurs (such as a change in family status or employment status).

If you are an eligible temporary employee, all of the enrollment and enrollment change information applies to you with one exception. A decision not to enroll will not affect your future eligibility to continue FEHB enrollment after retirement.

To enroll or change your enrollment, you must file an enrollment request with your human resources office within the applicable time limits.

Important: You will not be eligible for FEHB coverage after retirement unless you are enrolled before you retire and meet all the requirements for continuing enrollment after retirement.

Major Events That Permit Enrollment or a Change in Enrollment

A change in family status:

- marriage or divorce
- birth or adoption of a child
- acquisition of a foster child
- legal separation

A change in employment status:

- you are reemployed after a break in service of more than 3 days
- you return to pay status after your coverage terminated during leave without pay status or because you were in leave without pay status for more than 365 days
- your pay increases enough for premiums to be withheld

- you are restored to a civilian position after serving in the uniformed services
- you change from a temporary appointment to an appointment that entitles you to a government contribution, or
- you change to or from part-time career employment

You or family members lose FEHB or other coverage:

- under another FEHB enrollment because the covering enrollment was terminated, canceled, or changed to self only;
- under another federally-sponsored health benefits program;
- under Medicaid or similar State-sponsored program for the needy;
- because your membership terminates in the employee organization sponsoring the FEHB plan; or
- under a non-federal health plan.

When one of these events occur, you may enroll, change your enrollment from self only to self and family, or change your enrollment to another FEHB plan or option.

You also may waive or cancel your waiver of premium conversion at the same time. You must give your enrollment change to your human resources office from 31 days before to 60 days after the event.

When Enrollment Becomes Effective

Generally, the effective date of your enrollment or enrollment change is the first day of the pay period that follows the day your human resources office receives your completed enrollment request, or a pay period during any part of which you were in pay status. However, this pay status requirement doesn't apply to a change from self only to self and family. Some events, such as open season, have different effective dates.

Form to Use for an Enrollment Request

You may use the Health Benefits Election form (SF 2809) to request a new enrollment or change in enrollment. The SF 2809 may be in either paper or electronic format. In addition, your human resources office may allow you to make Open Season changes through Employee Express or another electronic method, which doesn't involve a SF 2809.

Effect on Enrollment if Your Physician Stops Participation

Generally speaking, if your physician stops participating in your health plan, this is not a qualifying event for changing your enrollment. However, if you have a chronic or disabling condition and your health plan terminates your provider's contract (unless the termination is for cause), you may be able to continue seeing your provider for up to 90 days after the notice of termination. If you are in the second or third trimester of pregnancy, you may continue seeing your obstetrician until the end of postpartum care.

When You Are Covered by Both FEHB and Medicare

Generally, your FEHB plan and Medicare provide protection against the same kind of medical expenses. Your FEHB plan also provides prescription drug coverage, routine physicals and a wider range of preventive services that Medicare does not. Some FEHB plans also provide coverage for dental and vision care. Medicare covers orthopedic and prosthetic devices, durable medical equipment, home health care, limited chiropractic services, and medical supplies, which some FEHB plans may not cover or only partially cover (check your plan brochure for details). You can view a copy of the brochure for your area here: http://www.opm.gov/healthcare-insurance/healthcare/plan-information/premiums/2014/postal-ffs.pdf.

Whether your FEHB plan or Medicare is primary depends on your current employment or health status. Your FEHB plan brochure provides specific information on how its benefits are coordinated with Medicare.

Continuing FEHB Coverage after Retirement

You may continue your FEHB enrollment after you retire if:

- you are entitled to retire on an immediate annuity under a retirement system for federal civilian employees (including FERS MRA+10 retirements); and
- you have been continuously enrolled (or covered as a family member) in any FEHB plan(s) for the 5 years of service immediately before your annuity starts, or for the full period of service since your first opportunity to enroll (if less than 5 years).

An immediate annuity is one that begins within 30 days of separation for retirement. An annuity you receive under the Minimum Retirement Age (MRA) +10 provision of the Federal Employees Retirement System (FERS) also qualifies as an immediate annuity, even though you postponed receipt of your annuity after separating from service.

Service

For purposes of continuing FEHB coverage into retirement, "service" means time in a position in which you were eligible to be enrolled. You are not required to have been an **enrollee** continuously, but you must have been continuously **covered** by an FEHB enrollment. This includes time you are covered as a family member under another person's FEHB enrollment, and time you are covered under the Uniformed Services Health Benefits Program (also known as TRICARE or CHAMPUS) as long as you were covered under an FEHB enrollment at the time of your retirement. (You must enroll in FEHB within 60 days after you lose coverage under the Uniformed Services Health Benefits Program for that time to be considered as part of continuous FEHB coverage.) Coverage under Medicare does not count in determining continuous coverage. Service as a Non-appropriated Fund employee does not count in determining continuous coverage since it is not federal service and not subject to FEHB coverage.

When Enrollment Continues Automatically

Transfer

Your FEHB enrollment will continue when you transfer from one agency to another, as long as you don't have a break in service of more than three calendar days; and are eligible for FEHB coverage in your new position.

Leave Without Pay

Your FEHB enrollment will continue for up to one year while you are in leave without pay status, unless you cancel it. You must pay your share of the premiums. Your human resources office will tell you how to make the premium payments.

Military Service

If you enter one of the uniformed services for 30 days or less, your FEHB enrollment will continue without change. Withholdings and Government contributions will also continue, as long as you are in pay status or until your military orders are changed so that your period of duty is more than 30 days.

If you enter on active duty or active duty for training in one of the uniformed services for more than 30 days, you may continue your FEHB enrollment for up to 24 months. Or, you may elect to terminate your enrollment as of the day before entering active duty.

If you continue your enrollment during military service, you are responsible for the employee share of the premiums for the first 12 months, just like any other employee in leave without pay status. During the last 12 months of the 24-month period, you must pay both the employee and the government shares of the premium, plus an additional 2 percent of the total premium, on a current basis. Your employing office may waive the requirement that you pay your share of FEHB premiums during all or any part of the 24-month period.

Workers' Compensation

Your enrollment continues while you are receiving compensation from the Office of Workers' Compensation Programs (OWCP) if OWCP determines that you are unable to return to duty; and you meet the same requirements for continuing coverage as for retirement.

Effect of Your Death on Family Coverage
Your surviving eligible family members may continue your health benefits enrollment after you die if you had a self and family enrollment, and one family member is entitled to a survivor annuity. Your retirement system will take appropriate action with your survivors.

Canceling Your Enrollment

If you participate in premium conversion, you may cancel your enrollment only during an open season or within 60 days after a qualifying life event. The cancellation of coverage must be consistent with and correspond to your qualifying life event. For example, if you get married and your spouse is employed by a company that provides health insurance for you, then canceling FEHB coverage would be consistent with that qualifying life event. If you are divorcing and have children to cover, canceling coverage would not be consistent with that qualifying life event. If you have waived participation in premium conversion, you may cancel your enrollment at any time.

Your cancellation takes effect on the last day of the pay period in which your human resource office receives your request. You and your family members are not eligible for the 31-day extension of coverage, Temporary Continuation of Coverage, or conversion to an individual policy. When you cancel your enrollment, you may not enroll again until an event occurs (such as an open season or a change in family status) that permits enrollment.

You will not be eligible for health benefits coverage after your retirement unless you reenroll before you retire and meet all of the requirements for continuing enrollment into retirement. If you plan to reenroll in time to qualify for coverage as a retiree, keep in mind that you may have to retire earlier than expected. You then might not meet the five-year requirement for continuing coverage into retirement. When you cancel your enrollment you are accepting this risk. You may want to consider changing your enrollment to a lower cost plan instead of cancellation. If you are going to be covered by someone else's enrollment and do not want a gap in coverage, you can coordinate the effective dates of your cancellation and your new coverage.

When Your Enrollment Ends

Your enrollment will terminate, subject to a 31-day extension of coverage, on the earliest of the following dates:

- the last day of the pay period in which you separate from service (unless you transfer, retire, or begin receiving Workers' Compensation benefits)
- the last day of the pay period in which you separate after you meet the requirements for an immediate annuity under the FERS MRA+10 provision and you postpone receipt of your annuity
- the last day of the pay period in which you change to a position that is excluded from coverage
- the last day of the pay period in which you die, unless you have a family member eligible to continue enrollment as a survivor annuitant
- the last day of the pay period that includes the 365th day of continuous leave without pay status or the last day of leave under the Family and Medical Leave Act, whichever is later
- the last day of the last pay period in pay status, if you haven't had 4 consecutive months of pay status after you exhausted the 365 days continuation of coverage in leave without pay status
- the day you are separated, furloughed, or placed on leave of absence to serve in the uniformed services for duty over 30 days, if you elect in writing to have your enrollment terminated
- the date that is 18 months after the date of your separation, furlough, or leave of absence to serve in the uniformed services for duty over 30 days, or the date your entitlement to continued coverage ends, whichever is earlier
- the day on which your temporary continuation of coverage (TCC) expires
- the last day of the pay period for which withholding was made when you are a temporary employee whose pay is insufficient to pay the withholdings and you didn't or couldn't choose a plan for which your pay would cover the premiums.

Getting Extension of Coverage After Enrollment Ends

Your coverage will continue without cost to you for 31 days after your enrollment ends for any reason except when you cancel it. During that time you can elect Temporary Continuation of Coverage or convert to an individual health benefits contract with your FEHB plan. **Remember, you must exhaust TCC eligibility as one condition for guaranteed access to individual health coverage under the Health Insurance Portability and Accountability Act of 1996.**

Your family members are eligible for the extension of coverage when they lose coverage for any reason except when you cancel your enrollment. If you are hospitalized on the 31st day of extended coverage, your FEHB plan will continue to provide benefits for up to 60 more days of continuous hospitalization unless you converted to an individual contract.

Continuing FEHB Coverage after Separating from Service

You are eligible to temporarily continue your FEHB coverage for up to 18 months when you separate from service, voluntarily or involuntarily, unless your separation is for gross misconduct, and you are not otherwise eligible for continued coverage under the program (not counting the 31-day extension of coverage).

Electing Temporary Continuation of Coverage

Your human resources office will give you notice of your Temporary Continuation of Coverage (TCC) rights within 61 days after you separate from service. If you want TCC, you must elect it within 60 days from the later of:

- your separation; or
- the date of your human resources office's notice.

You may choose self only or self and family coverage in any plan or option you are eligible to join. You are not limited to the plan, option, or type of enrollment under which you had been covered.

Continuing FEHB Coverage for Family Members

Your family members are eligible to continue FEHB coverage for up to 36 months under their own Temporary Continuation of Coverage (TCC) enrollments when they:

- lose their eligibility under your coverage; and
- are not otherwise eligible for FEHB coverage.

This includes when your child reaches age 22 or marries, or when you divorce and your former spouse does not qualify under Spouse Equity provisions. Neither your human resources office nor your plan will notify you or your family member when he/she loses coverage.

Your family members are not eligible for TCC when you cancel your enrollment or change to a self only enrollment.

Electing TCC for Family Members

You must notify your human resources office or retirement system within 60 days from the date your family member loses eligibility under your enrollment. (If you are divorcing, your former spouse may notify your human resources office on his/her own behalf.) Within 14 days, your human resources office will send your family member notice of his/her Temporary Continuation of Coverage (TCC) rights.

If your family member wants TCC, he/she must elect it within 60 days from the later of:

- the date he/she loses eligibility under your enrollment; or
- the date of your human resources office's notice.

If your former spouse loses Spouse Equity eligibility within 36 months after your marriage ends, he/she must notify your human resources office within 60 days of losing this eligibility to apply for the remaining months of TCC.

Cost of Premiums for TCC

Generally, you or your family member must pay both the government and employee shares of the premium, plus a 2% administrative charge. When TCC ends, you will get another 31-day extension of coverage and conversion rights unless you canceled your coverage or did not pay premiums.

When TCC Becomes Effective

The first 31 days of the TCC eligibility period overlap with the free 31-day extension of coverage. You must begin to pay premiums for TCC after the 31-day extension of coverage ends. You must pay retroactive premiums to this date even if your enrollment is not finalized by then.

If you elect a different plan or option when you enroll under TCC, and you or a covered family member are in a hospital on the 31st day of the extension of coverage, then your old plan or option will continue coverage for the hospitalized person as long as he or she is hospitalized, up to 60 days. The other family members' coverage will switch to the new plan or option after the 31-day extension of coverage ends.

Converting to an Individual Policy

You may convert to an individual policy with the carrier of your plan when your FEHB coverage ends, except when you cancel your enrollment. The plan is not allowed to ask for evidence of good health, impose waiting periods, or limit coverage for pre-existing conditions. Your benefits and rates will be different from those under the FEHB Program. The government does not contribute to the cost of the individual conversion contract.

Applying for an Individual Policy

Your human resources office must give you a notice of your right to convert to an individual policy no later than 60 days from the termination date. Complete the back of your copy of the SF 2810 and send it to the carrier of your plan within 31 days from the date of the notice, but no later than 91 days from the date your enrollment terminates.

Consequences of Missing the Conversion Deadline

If you miss the applicable deadline, you lose your opportunity to convert to an individual policy unless there are reasons beyond your control, such as if you do not get the required conversion notice within 60 days. In those cases, you can ask the carrier of your plan to accept a late conversion. You must send your written request within 6 months after the date your enrollment terminated. You must include some documentation that your enrollment has terminated (for example, a Notification of Personnel Action - SF 50 showing separation from service).

Eligibility of Family Members to Convert to Individual Policy

Your family members also may convert to individual coverage when they lose eligibility under your enrollment, or when their Spouse Equity or TCC coverage ends. Neither your human resources office nor your plan will notify you or your family member when he or she loses coverage. You or your family member should write to the carrier of your plan within 31 days after your family member's FEHB coverage ends to request conversion to an individual contract.

When the Individual Policy Becomes Effective

You or your family member's conversion contract becomes effective at the end of the 31-day extension of coverage, even when you or your family member is hospitalized on the 31st day of extended coverage.

Obtaining Certificate of FEHB Coverage When Leaving Employment

When your FEHB coverage ends, your plan will automatically send you a Certificate of Group Health Plan Coverage. You need to show this certificate to a new non-FEHB insurer to reduce or eliminate any pre-existing condition limitations that it may otherwise be able to apply to your coverage. If you do not get a certificate automatically, the plan must send you one at your request. If needed, you also may get certificates from other FEHB plans you have been enrolled in to document continued group health plan coverage.

Information on How Your Plan Processes Claims

You can get this information by reading your plan brochure carefully. It will help you become familiar with your plan's benefits and claims procedures. You may also ask your plan directly about benefits, claims payment and claims processing. OPM does not pay or process claims.

When Your Plan Won't Pay a Claim

Your plan brochure has detailed information on how to file a reconsideration request with your plan and a disputed claim request with OPM. Before you request reconsideration from the plan or ask OPM for a disputed claim review, be sure to check your plan brochure.

Federal Employees Group Life Insurance Program

The federal government established the Federal Employees' Group Life Insurance (FEGLI) Program on August 29, 1954. It is the largest group life insurance program in the world, covering over 4 million federal employees and retirees, as well as many of their family members.

FEGLI provides group term life insurance. As such, it does not build up any cash value or paid-up value. It consists of basic life insurance coverage and three options. In most cases, if you are a new federal employee, you are automatically covered by basic life insurance and your payroll office deducts premiums from your paycheck unless you waive the coverage. In addition to the basic, there are three forms of optional insurance that you can elect. You must have basic insurance in order to elect any of the options. Unlike basic, enrollment in optional insurance is not automatic - you must take action to elect the options. You can find out how much these options will cost using this calculator: http://www.opm.gov/retirement-services/calculators/fegli-calculator/

The cost of basic insurance is shared between you and the government. You pay 2/3 of the total cost and the government pays 1/3. Your age does not affect the cost of basic insurance. You pay the full cost of optional insurance, and the cost depends on your age.

The Office of Federal Employees' Group Life Insurance (OFEGLI), which is a private entity that has a contract with the federal government, processes and pays claims under the FEGLI Program.

Important Information about the Defense of Marriage Act (DOMA)

On June 26, 2013, the Supreme Court ruled that Section 3 of the Defense of Marriage Act (DOMA) is unconstitutional. As a result of the Supreme Court's decision, the United States Office of Personnel Management (OPM) will now be able to extend certain benefits to Federal employees and annuitants who have legally married a spouse of the same sex, regardless of the employee's or annuitant's state of residency. OPM is currently in the process of updating and revising their website to reflect this change, and will be updating this information as soon as possible. Please check back in the coming weeks for updates.

General Information

The kinds of coverage federal employees can get under FEGLI are basic life insurance and optional insurance. Your Basic Insurance Amount (BIA) is equal to the greater of (a) your annual basic pay rounded up to the next $1,000 plus $2,000, or (b) $10,000.

If you have Basic insurance, you have your choice of three types of optional insurance: Option A (standard optional insurance), Option B (additional optional insurance), and Option C (family optional insurance). Option A is equal to $10,000. Option B is equal to one, two, three, four or five times your annual basic pay (after rounding up to the next $1,000). Option C provides coverage for your spouse and eligible children. For Option C, you may elect one, two, three, four or five multiples of coverage. Each multiple is equal to $5,000 ($25,000 maximum) for your spouse and $2,500 ($12,500 maximum) for each of your eligible dependent children.

Obtaining Coverage under FEGLI as a New Employee

Most federal employees are automatically enrolled in basic insurance unless they waive this coverage. Basic is effective on the first day you enter in a pay and duty status in an eligible position.

Once you have basic insurance, you may also elect optional insurance. You must specifically elect the types of optional insurance you wish to carry within 31 days of becoming eligible. Optional insurance is effective on the first day you are in a pay and duty status on or after the day your human resources office receives your election.

Extra Benefit for Employees Under Age 45

As part of the Basic life insurance, employees who are under age 45 get an Extra Benefit at no additional cost. The Extra Benefit doubles the amount of the life insurance payable if you are age 35 or younger. Beginning on your 36th birthday, the Extra Benefit decreases 10% each year until, at age 45, there is no Extra Benefit.

Making an Election

You must complete a Life Insurance Election (SF 2817) to waive insurance or to elect Optional insurance. If you do not complete an election form, you are automatically enrolled in Basic only.

Cost of FEGLI Coverage

As mentioned above, the cost of basic insurance is shared between you and the government. You pay two-thirds and the government pays one-third. Your age does not affect the cost of basic insurance. Effective January 2003, you pay $0.150 (15 cents) per $1,000 biweekly or $0.3250 (32 ½ cents) monthly. If you are a postal employee, the U.S. Postal Service pays the entire cost of your basic life insurance.

You pay the full cost of all optional insurance. The cost depends on your age and the amount of insurance you have. Your agency will withhold the premiums from your pay.

When Salary Is Too Low to Cover Cost

If your pay is too low to allow a withholding for life insurance premiums and your human resources office expects this condition to last for more than six months, you will have a choice. You can choose either to terminate some or all of your insurance coverage or to continue the coverage and pay the premiums directly. Your human resources office can provide more details.

Automatic Increases as Salary Rises

The amount of your FEGLI automatically increases when your salary goes up, whenever your annual pay is increased by an amount sufficient to raise the pay to the next $1,000 bracket.

No Maximum Amount for Basic Insurance

There is no maximum amount of basic insurance that an employee can have. The amount is based on your annual basic rate of pay.

Borrowing Against the Policy

The FEGLI Program provides group term insurance. It does not have any cash value and you cannot borrow against your coverage. The only opportunities to get money from your coverage while you are still alive are (1) if you are terminally ill and qualify for Living Benefits, or (2) if you are terminally or chronically ill and assign your coverage to a viatical settlement firm.

Accidental Death or Dismemberment

In the event of a fatal accident or an accident that results in the loss of a limb or eyesight, FEGLI includes Accidental Death and Dismemberment (AD&D) for employees. AD&D coverage cannot be carried into retirement. AD&D benefits are paid in addition to regular death benefits. For the Office of Federal Employees' Group Life Insurance to pay benefits, the death or loss must occur within one year after the accident and be a direct result of bodily injury sustained from that accident.

AD&D insurance is automatically included in basic at no extra cost. It is equal to the amount of your basic insurance. It is also automatically included in Option A at no extra cost and it is equal to $10,000.

More Information on the FEGLI Program

To get more information on the FEGLI Program, you can read the FEGLI Program Booklet (FE 76-21 for Federal Employees, FE 76-20 for Postal employees) and the FEGLI Handbook. There are no paper copies of the FEGLI Handbook.