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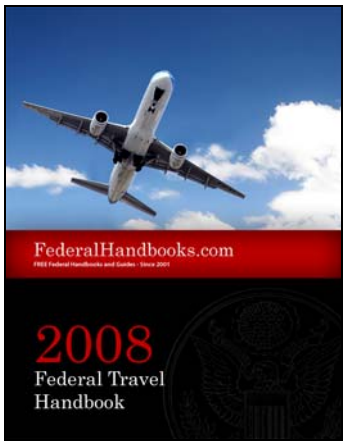

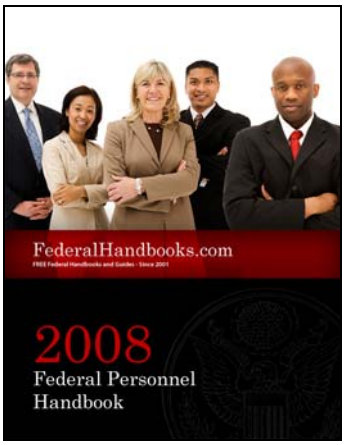

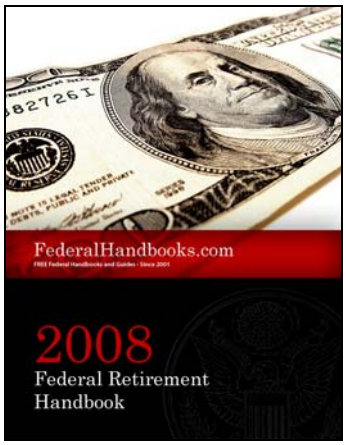

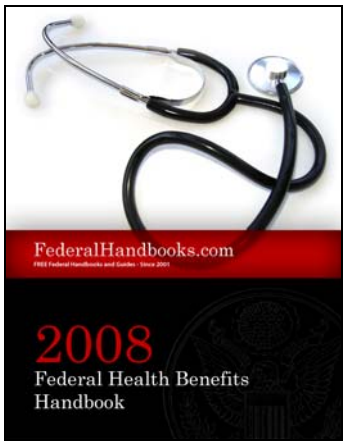

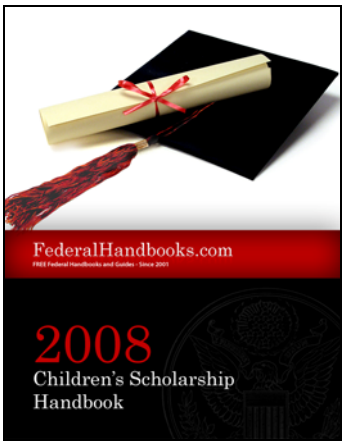

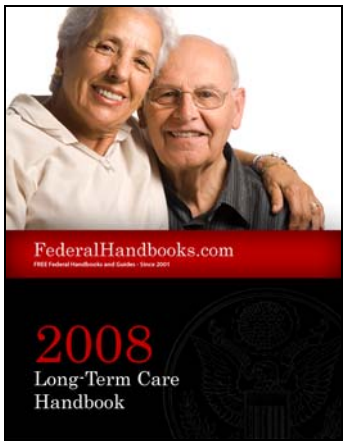

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1

Federal Pay

Overview of the Federal Pay Systems

The federal government 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 - they all cover 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, 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 payband, 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 sum, 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 pay system for members of the Senior Executive Service (SES) changed drastically with the November 24, 2003 passage of a performance-based pay system. Previously, members of the SES received both base pay and locality pay. The old SES pay schedule had six grades – ES-1 through ES-6 – and members of the SES could earn no more than Level IV of the Executive Schedule for base pay; Level III of the Executive Schedule for base plus locality pay; and Level I of the Executive Schedule for total compensation. (The Level I cap came into play when a member of the SES was given an allowance or a monetary award, such as a Distinguished Rank Award, which comes with a sizable bonus.)

The new pay-for-performance system was authorized in November 2003 as part of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136, November 24, 2003). It went into effect on the first day of the first pay period beginning on or after January 1, 2004, which for most employees was January 11, 2004.

Under the new system, members of the SES are no longer entitled to locality pay or the automatic, across-the-board pay raises that General Schedule and Executive Schedule employees receive. Instead, SES pay is closely tied to individual and organizational performance. In addition, the old six-level pay system was replaced by a single, open-range "payband" that has only its minimum and maximum rates fixed by statute. For 2007, the payband ranges from a low of $111,676 to a high of either $154,600 or $168,000, depending on whether the agency's performance appraisal system is certified by the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB).

Agencies are granted certification when both OPM and the Office of Management and Budget (OMB) certify that the agency's SES performance appraisal system makes "meaningful distinctions on relative performance." Agencies granted such certification may pay their SESers total compensation up to the Vice Presidential level for salary, awards, and relocation, recruitment or retention allowances.

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 for (1) GS-15, step 10 (including any applicable special salary rate or locality rate), or (2) level V of the Executive Schedule. (However, in

certain emergency or mission critical situations, an agency may apply an annual premium pay cap instead of a biweekly premium pay cap, subject to the conditions provided in law and regulation.)

The biweekly rate is computed by (1) dividing the applicable scheduled 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 Washington, DC, the GS-15, step 10, scheduled annual locality rate of $149,000 divided by 2,087 hours yields an hourly rate of $71.39 and a biweekly rate of $5,711.20 ($71.39 x 80 hours). Similarly, the Executive Level V annual rate of $139,600 divided by 2,087 hours yields an hourly rate of $66.89 and a biweekly rate of $5,351.20 ($66.89 x 80 hours).

Go to http://www.opm.gov/oca/pay/HTML/07GSCap.asp to see the biweekly premium pay caps for 2007 by locality pay area. These caps went into effect as of the first pay period beginning on or after January 1, 2007.

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.

Note that effective March 3, 2003, OPM implemented a final rule to permit agencies to pay AUO pay to an employee during a temporary assignment that would not otherwise warrant the payment of AUO pay, if the temporary assignment is directly related to a national emergency declared by the President. An agency may continue to pay premium pay under for not more than 30 consecutive work days for such a temporary assignment and for a total of not more than 90 work days in a calendar year while on such a temporary assignment.

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 or 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 nonovertime 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 nonovertime 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 nonovertime hours, the employee will be paid at the holiday rate only. If the call-back period comprises nonovertime and overtime, the nonovertime hours will be paid at the holiday rate and the overtime period at the overtime rate.

Compensatory Time Off

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.

Compensatory time off may be approved in lieu of overtime pay for irregular or occasional overtime work for both FLSA exempt and nonexempt employees. Compensatory time off can also be approved for a "prevailing rate employee," 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.

Agencies may require that an FLSA exempt employee 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.

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. An agency may set time limits for an FLSA exempt or nonexempt employee to take compensatory time off. An agency may provide that an FLSA exempt employee who earns compensatory time off will lose entitlement to both compensatory time off and overtime pay if it is not used within agency time limits, unless the failure was due to an exigency of the service beyond the employee's control.

If compensatory time off is not taken by an FLSA nonexempt employee within agency time limits, an agency must pay the employee for overtime work at the overtime rate in effect during the pay period in which the overtime work was completed. One hour of compensatory time off is granted for each hour of overtime work.

New Rules Concerning Compensatory Time Off for Official Travel

Be aware that as of January 28, 2005, federal employees may now earn compensatory time off for official travel during uncompensated, non-work hours, under certain conditions. The new interim rules were published by OPM in the January 24, 2005 Federal Register. They were mandated by provisions in the Federal Workforce Flexibility Act of 2004 (P.L. 108-411, October 30, 2004).

Defining Compensatory Time Off for Travel

Compensatory time off for travel is a new form of compensatory time off that may be 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. As stated above, this provision is effective on January 28, 2005.

Employees Covered

The new compensatory time off provision applies to 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. The definition includes employees in senior-level (SL) and scientific or professional (ST) positions, but not members of the Senior Executive Service.

Defining "Travel" for The Purpose Of This Provision

To qualify for this purpose, 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.

What Qualifies as Time in a Travel Status

Travel status includes only the time actually spent traveling between the official duty station and a temporary duty station, or between two temporary duty stations, and the usual waiting time that precedes or interrupts such travel.

Defining "Usual Waiting Time"

Airline travelers generally are required to arrive at the airport at a designated pre-departure time (e.g., 1 or 2 hours before the scheduled departure, depending on whether the flight is domestic or international). Such waiting time at the airport is considered usual waiting time and is creditable time in a travel status. In addition, time spent at an intervening airport waiting for a connecting flight (e.g., 1 or 2 hours) also is creditable time in a travel status, subject to exclusions for bona fide meal periods. In all cases, determinations regarding what is creditable as "usual waiting time" are within the sole and exclusive discretion of the employing agency.

When an Employee Experiences An "Extended" Waiting Period

If an employee experiences an unusually long wait prior to his or her initial departure, or between actual periods of travel during which the employee is free to rest, sleep, or otherwise use the time for his or her own purposes, the extended waiting time that is outside the employee's regular working hours is not creditable time in a travel status. An extended waiting period that occurs during an employee's regular working hours is compensable as part of the employee's regularly scheduled administrative workweek.

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.

Limitations on The Amount Earned
There is no limitation on the amount of compensatory time off for travel an employee may earn.

Requesting Credit for Compensatory Time
Agencies may establish procedures for requesting credit for compensatory time off for travel. An employee must comply with his or her agency's procedures for requesting credit of compensatory time off, and the employee must file a request for such credit within the time period established by the agency.

Using Accrued Compensatory Time
An employee must request permission from his or her supervisor to schedule the use of his or her accrued compensatory time off for travel in accordance with agency policies and procedures. Compensatory time off for travel may be used when the employee is granted time off from his or her scheduled tour of duty established for leave purposes. Employees must use accrued compensatory time off for travel in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes).

Time Limits on Using Accrued Comp Time
An employee must use his or her accrued compensatory time off for travel by the end of the 26th pay period after the pay period in which it was earned or the employee must forfeit such compensatory time off, except in certain circumstances.

Unused compensatory time off for travel will be held in abeyance for an employee who separates, or is placed in a leave without pay status, and later returns following: (1) separation or leave without pay to perform service in the uniformed services (as defined in 38 U.S.C. 4303 and 5 CFR 353.102) and a return to service through the exercise of a reemployment right, or (2) separation or leave without pay due to an on-the-job injury with entitlement to injury compensation under 5 U.S.C. chapter 81. The employee must use all of the compensatory time off held in abeyance by

the end of the 26th pay period following the pay period in which the employee returns to duty, or such compensatory time off will be forfeited.

Restoring Unused Comp Time
Except in certain circumstances described in the paragraphs immediately above, any compensatory time off for travel not used by the end of the 26th pay period after the pay period in which it was earned must be forfeited.

When Separating from Federal Service
Except in certain circumstances described above, an employee must forfeit all unused compensatory time off for travel upon separation from Federal service.

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.

Premium Pay and Aggregate Pay Caps
Compensatory time off for travel may not be considered in applying the biweekly or annual premium pay limitations established under 5 U.S.C. 5547 or the aggregate limitation on pay established under 5 U.S.C. 5307.

When Criminal Investigators Receiving Availability Pay Cannot Earn Comp 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).

Traveling on a Federal Holiday
Although most employees do not receive holiday premium pay for time spent traveling on a holiday (or an "in lieu of" holiday), an employee continues to be entitled to pay for the holiday in the same manner as if the travel were not required. Thus, employees may not earn compensatory time off for travel during basic (non-overtime) holiday hours because they are entitled to their rate of basic pay for those hours. Compensatory time off for travel may be earned by an employee only for time spent in a travel status away from the employee's official duty station when such time is *not otherwise compensable*.

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 nonsupervisory 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.

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 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 pay days.

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 (nonovertime) 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 nonovertime 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., nonovertime 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., nonovertime 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 nonovertime 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., nonovertime 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 (LEO's) 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.

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 LEO's. 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.

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 LEO's 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" 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.

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 (nonwork) on days that are not "regular workdays" cannot be credited for this determination.

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.

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.)

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.

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.

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.

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

Nonforeign 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 nonforeign area COLAs. Section 5941 of title 5, United States Code, and Executive Order 10000 (as amended) authorize the payment of COLAs in nonforeign areas.

To set the COLA rates, OPM surveys the prices of over 200 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 $36,822.

Total Hours of Work:	52 hrs
Overtime Work:	12 hrs
Night Work:	40 hrs
Sunday Work:	8 hrs
Hourly Rate of Basic Pay:	$17.64

Total Remuneration:

Basic Pay (40 hrs)	= $ 705.60
Night Pay (40 hrs) 10% x $17.64 = $1.76 $1.76 x 40 hrs = $70.40	= $ 70.40
Sunday Pay (8 hrs) 25% x $17.64 = $4.41 $4.41 x 8 hrs = $35.28	= $ 35.28
Straight Time Pay $17.64 x 12 hrs	= $ 211.68
Total Remuneration	= $ 1,022.96

Hourly Regular Rate:

$1,022.96 / 52 hrs	= $ 19.67

FLSA Overtime Pay:

1 x $17.64 x 12	= $ 211.68
(.5 x $19.67) x 12	= $ 118.08
Total FLSA Overtime Pay	= $ 329.76

Weekly Pay:

Basic Pay	= $ 705.60
Night Pay	= $ 70.40
Sunday Pay	= $ 35.28
FLSA Overtime Pay	= $ 329.76
Total Weekly Pay	**=$ 1,141.04**

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 -

the hourly rate of basic pay for GS-10, step 1, multiplied by 1.5,
or
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
A full-time 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). Part-time employees are not entitled to Sunday premium pay.

Entitlement
An employee is entitled to his or her rate of basic pay plus Sunday premium pay for up to 8 non-overtime hours of work during each regularly scheduled basic tour of duty that begins or ends on Sunday. Sunday premium pay is equal to 25 percent of an employee's rate of basic pay.

Flexible Work Schedule - A full-time 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. 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, see the exception below.)

Flexible Work Schedule - 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.

Compressed Work Schedule - 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, 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; 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.

"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.

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; 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.

Relocation to Different Geographic Area

Relocation incentives may be paid to an employee of the Federal Government who must relocate to a different geographic area without a break in service to accept a position in an agency or to an employee of an agency who must relocate to a different geographic area (permanently or temporarily) to accept a position. 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 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.

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

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; 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 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.

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 in the guidance on http://www.opm.gov/oca/pay/HTML/retpaycalc.asp

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.

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 http://www.opm.gov/oca/pay/HTML/GRPALLFS.ASP 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.

Continuation, Reduction, or Termination of a Retention Incentive –Mandatory

An agency 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.

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 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, receives a rating of record of less than "Fully Successful" or equivalent, or the agency assigns the employee to a different position. (See 5 CFR 575.311(g).)

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

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 any type of retention incentive, an agency must establish a retention incentive plan. (See http://www.opm.gov/oca/PAY/HTML/RETALLFS.asp) A separate plan is not needed for group retention incentives.

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.

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 http://www.opm.gov/oca/PAY/HTML/RETALLFS.asp 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 at http://www.opm.gov/oca/PAY/HTML/retpaycalc.asp)

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 http://www.opm.gov/oca/PAY/HTML/RETALLFS.asp 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

Severance pay is authorized for employees who are involuntarily separated from federal service and who meet other conditions of eligibility. Both full-time and part-time employees with a regularly scheduled tour of duty are entitled to severance pay.

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).

An employee is not eligible for severance pay if he or she:

- Is serving under a nonqualifying 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.

Computing severance pay
The basic severance pay allowance consists of the following:

- 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.

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.

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 nonpay 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 nonappropriated 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.

Termination of severance pay entitlement
Entitlement to severance pay ends when:

- The individual entitled to severance pay is employed by the government of the United States or the government of the District of Columbia, unless employed under a nonqualifying time-limited appointment; or
- The severance pay fund is exhausted.

Dual Employment

Generally federal employees, civilian and military, are prohibited from receiving pay from more than one federal government source. The laws on dual employment apply to agencies in the executive, legislative and judicial branches, corporations owned or controlled by the government, and nonappropriated fund organizations under the jurisdiction of the armed forces.

Civilian federal employees can hold more than one government job in some limited situations. An individual may have more than one federal appointment, but may receive pay from more than one civilian job only when:

- the jobs total no more than 40 hours of work a week, Sunday to Saturday (excluding overtime); or
- there is an authorized exception.

This means an employee on leave without pay (LWOP) from one position may be paid for another position. Paid leave, however, counts toward the 40-hour-per week limitation unless there is an authorized exception.

Authorized exceptions to the limitation on pay for more than 40 hours a week include:

- exceptions in law, e.g., with agency approval federal employees can work for the U. S. Postal Service;
- emergency services relating to health, safety, protection of life or property, or national emergency;
- expert and consultant jobs when working different hours as an intermittent employee; and
- fee paid on other than a time basis (lump-sum pay for a report, research product or service not based on the number of hours or days worked).

Also, in unusual circumstances, federal agencies can make exceptions to obtain required personal services when they cannot be readily obtained otherwise.

Civilian Federal Employees Working in Outside (Nonfederal) Jobs
Federal employees shall not engage in outside employment or activities that conflict with official duties and responsibilities. Many federal agencies have written policies that allow outside employment, especially when it is not related to the federal work and will not result in, or create the appearance of, a conflict of interest.

Agency policies may require employees to receive prior approval for outside employment even when co-workers have similar outside jobs. Ask your supervisor, agency ethics official, and agency personnel office for further information.

Members of a Uniformed Service Holding Civilian Government Jobs
Members of a Uniformed Service (Army, Navy, Marines, Air Force, etc.) on active duty may not receive pay from another government position, except during terminal leave, or unless specifically authorized by law. Enlisted personnel may be employed part-time during off-duty hours in Department of Defense nonappropriated fund activities. Members of the Armed Forces Reserves and members of the National Guard may receive military pay and allowances in addition to pay from another government position.

Note: With appropriate agency approval, federal employees may work for the District of Columbia (DC) government.

Employment of Retirees (Dual Compensation Issues)
Retirees can work for the federal government. However, federal civilians will have their salary reduced by the amount of their annuity unless an exception is approved. In addition, retirees under age 70 may have their Social Security check reduced if their annual earnings exceed the established limit.

Federal Retirees under CSRS and FERS
Most retirees under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) will have their hourly pay reduced by the hourly rate of the annuity when reemployed by the federal government. This reduction is required by dual compensation laws 5 U.S.C. 8344 and 8468. These laws apply to federal jobs in the legislative, executive, and judicial branches (including government corporations, nonappropriated fund instrumentalities under the jurisdiction of the armed forces, and the U.S. Postal Service). Generally, the law requires that the employing agency reduce the retiree's hourly pay by the hourly rate of their annuity. This reduction equals the retiree's annual annuity divided by 2087. For example, if a job's gross pay is $15.80 per hour and a retiree's hourly annuity rate is $5.80, then the retiree's gross pay is reduced to $10.00 per hour. If a retiree works for a year, his or her retirement is recalculated with this added service.

Note: If retirement was due to involuntary separation or disability, the annuity may terminate upon reemployment. These retirees should check with the employing agency or call OPM's Retirement Information Office at 1-888-767-6738.

Military Retirees
Retirees of U.S. Uniformed Services are now treated as other retirees (see next heading). Prior reductions in military retired pay were repealed by P.L. 106-65 in October 1999.

Other Retirees - Private Sector, State, and Local Government

Generally, when other retirees become a federal employee there is NO reduction in their federal pay or in their retirement pay or annuity. However, paid work may reduce Social Security retirement, survivors or disability benefits if earnings exceed the established limits. For details, contact the Social Security Administration at 1-800-772-1213.

Exceptions for CSRS and FERS Retirees

Federal agencies may request authority to waive the salary reduction in special and unusual circumstances. The law limits waivers to "positions for which there is exceptional difficulty recruiting or retaining a qualified employee" and to temporary employment while "the authority is necessary due to an emergency involving a direct threat to life or property or other unusual circumstances." Agencies can use criteria and procedures in 5 CFR part 553 to request exceptions. Generally, to qualify for an exception, a retiree must be the only qualified applicant available or be uniquely qualified for the job. Generally, the USAJOBS (www.usajobs.opm.gov) vacancy notice will indicate when an agency has waiver authority or anticipates requesting it.

Retaining Reinstatement Eligibility

Retirees who obtained federal reinstatement eligibility before they retired do NOT lose it because they retire.

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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 v. 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 says that it is aware that some agencies have redesigned and streamlined their programs to reward employee ideas and innovations, but that agencies should remember that Congress established the suggestion award authority as the foundation of all employee incentive award authorities. OPM says that the program is rooted in a presumption that governmentwide - not just agencywide - 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, says OPM

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 they make 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 all 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 says that 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

As its name suggests, a time-off award allows an employee to take time off the job without losing pay or using earned leave.

Limits on the number of hours that can be granted as a time-off award

There are no governmentwide limits on granting time-off awards. However, agencies are free to establish their own guidelines and limitations on how much time off is appropriate for various employee contributions, as well as overall periodic limits that may be useful for preserving the integrity of their time-off award program and preventing abuse and/or criticism.

Regulatory Limitations Applicable to Time-off Awards

The regulations provide that time-off awards shall not be converted to cash. Agencies must document a time-off award, as well as cash awards, in compliance with the OPM rules. In addition, agencies are required to submit time-off awards, as well as cash awards, data to the Central Personnel Data File.

Offering the Employee a Choice of Time-off or a Cash Award

Technically, there is no legal bar to offering a choice between a time-off or a cash award. However, OPM strongly recommends that agencies not offer such a choice. To do so would put the employee who opts for time-off in "constructive receipt," for tax withholding purposes, of the cash award offered. Appropriate withholding based on the cash award offered would have to be done at the time the choice is offered (i.e., when the employee reasonably would be expected to receive the cash), rather than based on the pay associated with the time off when the time off is actually taken.

If an employee chooses time off after being offered a choice between time off or cash as an award, the following difficulties can arise:

- it will be difficult to explain to the employee the basis for the unexpected additional tax withholding that occurs as a result of the constructive receipt of the cash award; and
- the administrative burden on the agency may well be prohibitive because agencies would be responsible when the choice of award is offered for assuring that the initial withholding based on the cash award offered is made at that time. When the time-off award is actually used, the agency would be responsible for comparing the amount already withheld for the cash award offered and the amount that otherwise would be due based on the

pay for the time off. No additional withholding would be made if the tax due for the time off is at least equal to the tax already withheld for the cash offered. If pay for the time off is greater than the cash award offered, an additional withholding is made on the difference when the time-off award is used.

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.

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The Thrift Savings Plan

The Thrift Savings Plan is a retirement and savings investment plan for federal employees. Congress established the TSP in 1986 for the purpose of providing federal employees with retirement income. The TSP offers federal employees the same type of savings and tax benefits that many private corporations offer their employees under so-called "401(k)" plans. You can participate in the TSP if you are covered by the Federal Employees' Retirement System (FERS), the Civil Service Retirement System (CSRS), or an equivalent retirement plan.

The Thrift Savings Plan is an important benefit designed to help federal employees save for the future. If you are a newly hired FERS employee, you can begin your contributions to the TSP immediately. When you become eligible, your agency will contribute an amount equal to 1% of your base salary each pay period. In addition, your agency will match your contributions up to certain limits set by law. To take advantage of all the agency matching money that is available, you would need to contribute 5% of your basic pay each pay period. You can contribute more or less, however.

You may think that you are too young or financially constrained to worry about retirement. Remember, though, that delaying your decision to contribute means that you miss out on agency matching contributions that you can never recapture.

If you are a CSRS employee, you do not receive any agency money, but like FERS employees, you decide how your money is invested, and you don't pay taxes on it or its earnings until you take it out.

Civilian employees who are members of the Ready Reserve can also contribute to a separate account from their Reserve pay. Members of the uniformed services should read the "Summary of the Thrift Savings Plan for the Uniformed Services" for complete and accurate TSP information applicable to them.

In short, the TSP is a valuable benefit for federal employees that offers all participants:

- Tax deferral on contributions
- A choice of five investment funds
- A loan program
- Catch-up contributions for participants age 50 or older
- In-service withdrawals for financial hardship or after age 59½
- A choice of post-separation withdrawal options
- The ability to transfer money from other eligible retirement savings plans into your TSP account

Signing Up for the TSP

Ask your agency personnel office for the TSP Election Form (TSP-1) or download a copy from the "Forms & Publications" section of the TSP Web site (www.tsp.gov). Use the form to show how much you want to contribute each pay period. Then submit Form TSP-1 to your agency personnel office. (Some agencies may be using an electronic version of Form TSP-1. Check with your personnel office.) Your agency will deduct your contributions from your pay each pay period. You can stop your contributions at any time.

Importance for Employees Covered by FERS

If you are a FERS employee, your TSP account is one of three parts of your retirement coverage. It is separate from the other two parts, which are your FERS Basic Annuity and Social Security.

As soon as you are eligible, you will receive two types of agency contributions to your TSP account, which together can equal as much as 5% of your basic pay:

1. Agency Automatic (1%) Contributions. When you become eligible, your agency automatically deposits into your TSP account an amount equal to 1% of your basic pay each pay period, even if you do not contribute your own money. After three years of federal civilian service (or two years, in some cases), you are vested in these contributions and their earnings.

2. Agency Matching Contributions. When you become eligible, your agency will match the first 3% of basic pay you contribute each pay period dollar for dollar. Each dollar of the next 2% of basic pay that you contribute will be matched 50 cents on the dollar. You are immediately vested in the matching contributions.

Here's how your Agency Automatic (1%) and Matching Contributions can add up to an additional 5% of your basic pay:

Percent of Basic Pay Contributed to Your Account
(FERS Employees Only)

You Put In:	Your Agency Puts In: Automatic Contribution	Your Agency Puts In: Matching Contribution	The Total Contribution Is:
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%

Amounts that you contribute above 5% are not matched.

You can contribute a percentage of your basic pay or a whole dollar amount up to the limits below:

Year	TSP Limits			IRS Limits		
	FERS	CSRS	Uniformed Services	Regular Contributions*	Catch-Up Contributions	Total Contributions
2004	14%	9%	9%	$13,000	$3,000	$16,000
2005	15%	10%	10%	$14,000	$4,000	$18,000
2006 and thereafter	Limits eliminated			$15,000	$5,000**	$20,000

* For uniformed services participants, this includes incentive pay and special pay, including bonus pay.

** After 2006, this amount will be subject to increases to reflect inflation.

How the TSP Benefits CSRS Employees

If you are a CSRS employee, you can take advantage of the TSP to provide a source of retirement income in addition to your CSRS annuity. Beginning in December 2004, you can contribute up to 10% of your basic pay each pay period. In December 2005, the limit will be eliminated and only the IRS limit will apply. Although you do not receive any agency contributions, you receive the tax benefits and other TSP benefits described below. You are always vested in all of the money in your account.

TSP Benefits that Apply to Both FERS and CSRS Employees

Tax Savings

Your TSP contributions are deducted from your pay before federal, and in most cases, state income taxes are calculated. As long as the money stays in your account, you pay no income tax on any contributions or associated earnings.

Choice of Investment Funds
All participants can invest in any or all of the five TSP funds. You choose the investment mix that is best for you.

Loans
Through the TSP loan program, you may borrow your contributions and related earnings for a general purpose loan (with a repayment period of 1 to 5 years) or a loan for the purchase of a primary residence (with a repayment period of 1 to 15 years). Documentation is required for residential loans only. There are other restrictions on loan amounts. Spousal rights apply. For more information, check the TSP's website at www.tsp.gov.

Catch-up Contributions
Participants age 50 and older who are already contributing the maximum amount of regular TSP contributions for which they are eligible, can make supplemental tax-deferred "catch-up contributions" (up to $5,000 in 2007 – thereafter, increases will be indexed to inflation) from their basic pay.

In-Service Withdrawals
While you are employed by the federal government, you may withdraw your money after age 59½ or for financial hardship. Read the booklet "TSP In-Service Withdrawals," available on the TSP website at www.tsp.gov, for more information.

Portable Benefits
You may transfer money from traditional IRAs or other eligible employer plans into your TSP account. If you leave government service, you can ask the TSP to transfer certain types of withdrawal payments to a traditional IRA or to an eligible employer plan that accepts such transfers.

Choice of Post-Separation Withdrawal Options
You may choose to withdraw your account in a single payment, monthly payments, life annuity, or any combination of these options. Refer to the booklet "Withdrawing Your TSP Account After Leaving Federal Service" for more details. The booklet is available on the TSP's website at www.tsp.gov.

Allocating Contributions Among TSP Funds
You can allocate your contributions by using the TSP Web site, the ThriftLine, or Form TSP-50, Investment Allocation. If you are new to the TSP and you have never made a contribution allocation, all contributions to your account will be invested in the G Fund until you make an allocation. You may change your contribution allocation at any time. To redistribute money already in your account, you must make an interfund transfer.

Investment Options Under the TSP
You have a choice of five investment funds under the TSP: the G, F, C, S, and I Funds. Each of these funds is explained below.

The G Fund
The Government Securities Investment Fund is invested in short-term non-marketable U.S. Treasury securities that are specially issued to the TSP. The G Fund interest rate is a weighted average of market rates of return on outstanding U.S. Treasury securities with 4 or more years to maturity.

There is no credit risk (risk of non-payment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (risk that investments may fluctuate in value as interest rates change) is eliminated by the Board's current policy of investing the G Fund in short-term rather than longer-term securities. However, G Fund rates of return may well be lower than those of the other TSP Funds over the Long-term.

The F Fund

The Fixed Income Index Investment Fund is invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index. This index consists primarily of high-quality fixed-income securities representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market.

The F Fund offers the potential for increased rates of return relative to the G Fund over the Long-term, especially in periods of generally declining interest rates. At such times, the market value of the bonds held in the F Fund should increase, unlike those of the short-term securities held in the G Fund. Unlike the G Fund, the F Fund carries credit risk, market risk, and prepayment risk. Thus, the F Fund also has the potential for negative returns, which would result in losses.

The TSP Stock Funds

The C, S, and I Funds are stock index funds. The advantages of investing in stock index funds are: (1) the potential for the relatively high investment returns that are sometimes available from stocks; (2) diversification among a broad range of stocks, which mitigates the effect on overall returns from the poor performance of an individual security or industry; and (3) relatively low investment management fees and trading costs.

The main risk of investing in a stock index fund is that it may experience a sharp decline with unfavorable changes in overall economic conditions. The total return on a stock fund could be negative, resulting in a loss.

The C Fund

The Common Stock Index Investment Fund is a large company stock fund. The C Fund tracks the Standard & Poor's 500 (S&P 500) stock index, which consists of the stocks of 500 companies traded in the U.S. stock markets.

The C Fund gives you the opportunity to invest in a diversified portfolio of large U.S. companies. The risk of investing in the C Fund is that the value of stocks can decline sharply, and the total return on the C Fund could be negative, resulting in a loss.

The S Fund

The Small Capitalization Stock Index Investment Fund is the TSP's medium and small company stock fund. The S Fund tracks the Wilshire 4500 stock index, which consists of the stocks of U.S. companies not included in the S&P 500 index.

The S Fund gives you the opportunity to further diversify your stock investments. The Wilshire 4500 index is the broadest measure of the U.S. stock markets that excludes the companies in the S&P 500 index. Thus, the S Fund in combination with the C Fund covers virtually the entire U.S. stock market.

Investing in the S Fund includes the additional risk associated with stocks of mid-size and smaller companies, which tend to be more volatile than the stocks of the larger companies in the C Fund's S&P 500 index.

The I Fund

The International Stock Index Investment Fund is the TSP's foreign company stock fund. The I Fund tracks the Europe, Australasia, and Far East (EAFE) stock index, which consists of common stocks of large international companies in 21 countries. The I Fund gives you the opportunity to further diversify your stock investments to include stock markets of developed countries outside the U.S.

The additional risk of investing in the I Fund is that I Fund investments include both the increased volatility of foreign markets and the risk of foreign currency fluctuations.

If you choose to invest in the F, C, S, or I Fund, you must acknowledge the risks involved. There is no assurance that future rates of return will replicate previous rates of return.

The L Fund

The L Funds provide you with a convenient way to diversify your account among the G, F, C, S, and I Funds, using professionally determined investment mixes that are tailored to different time horizons. Your "time horizon" is the date (after you leave Federal service) that you think you will need the money in your TSP account. Because it is important for each L Fund to maintain its target investment mix, the TSP will automatically rebalance each L Fund daily. Then, each quarter, the investments in each L Fund will shift to a slightly more conservative mix. In addition, experts will review the investment mixes periodically to be sure they are still appropriate.

Changing the Way Your Account Is Invested

You can change the investment of money already in your account by requesting an interfund transfer. You can make your request on the TSP Web site (www.tsp.gov), the ThriftLine, or on Form TSP-50, Investment Allocation. Interfund transfers generally are processed on each business day. The TSP will send you a confirmation of the transfer. (To change the way your future contributions are invested, you must make a contribution allocation.)

Keeping Track of Your Account

The TSP will send you quarterly participant statements showing your account activity for the previous 3 months, or you may elect to receive your statement on-line. Check all of the information on your statement, including your address. Your statement and other important mailings are sent to the address that your agency reports to the TSP record keeper. Contact your agency personnel office if any corrections are necessary. (If you are separated from federal service, contact the TSP Service Office.) You can also find out your account balance by visiting the TSP Web site or by calling the ThriftLine.

Spouse's Rights

The law gives certain rights to your spouse (including your separated spouse). The TSP must take these rights into consideration when you withdraw or borrow from your account. The TSP will take action to prosecute any participant who denies (or attempts to deny) his or her spouse these rights by, for example, forging the spouse's signature or falsifying the spouse's address.

Borrowing from your TSP account

If you are a married FERS participant, you must obtain your spouse's consent before you can receive a TSP loan. (Your spouse's consent does not make him or her a co-signer of your loan or obligate him or her to repay your loan.) If you are a married CSRS participant, the TSP must notify your spouse before your loan is approved.

Making an in-service withdrawal

If you are a married FERS participant, you must obtain your spouses' notarized consent to an in-service withdrawal before the withdrawal can be approved. Spouses of CSRS participants will be notified of any withdrawal.

Making a withdrawal after you separate

If you are making a *partial withdrawal* after you separate, FERS participants must obtain their spouses' notarized consent before the withdrawal can be approved; spouses of CSRS participants will be notified of the withdrawal.

For a *full withdrawal*, spouse's rights apply only if your account balance is more than $3,500. In that case, if you are a married FERS participant, your spouse is entitled to a joint and survivor annuity with 50 percent survivor benefit, level payments, and no cash refund feature. If you choose a withdrawal method other than the prescribed annuity, or if you choose a mixed withdrawal, your spouse must waive his or her right to that annuity. If you are a married CSRS participant and you are making a full withdrawal, the TSP must notify your spouse before you withdraw your account.

Exceptions to the spouses' rights requirements

Under certain limited circumstances, an exception may be granted to the spouses' rights requirements. To apply for an exception, complete Form TSP-16, Exception to Spousal Requirements, and submit it with the required documentation to the TSP Service Office at the address on the form. Form TSP-16 is available from the TSP website or from your agency personnel office.

How a court order affects your account
Your TSP account is subject to certain matrimonial court orders and enforcement of your legal obligations to make alimony and child support payments, and to satisfy judgments against you for child abuse. Matrimonial court orders are court decrees of divorce, annulment, or legal separation, or the terms of court-approved property settlements incident to any court decree of divorce, annulment, or legal separation. In order to be considered qualifying and thus enforceable against the TSP, the order must meet the requirements stated in Board regulations (5 C.F.R. Part 1653).

If the TSP receives a document which purports to be a qualifying order or legal process for the enforcement of back payment of alimony, child support, or a judgment against you for child abuse, your account will be frozen for loans and withdrawals. In order to authorize payment from your account, a qualifying court order must clearly identify your TSP account and must describe the award to be made to your spouse, former spouse, or other party in such a way that the amount can be definitively calculated.

Note: If you have two accounts (i.e., as a member of the uniformed services and as a Federal civilian employee), the court order must clearly identify the account to which the order/award applies.

To find out more about court orders, read the TSP booklet called "Information About Court Orders," and the tax notice titled "Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders."

Special Information Services

TSP Website
To get the most up-to-date information or to request transactions, go to the TSP Website at www.tsp.gov. You can get daily and historical share prices, monthly and historical rates of return for the five TSP investment funds and related indexes, the current loan interest rate and annuity interest rate index, and the most recent copies of TSP materials. You can also use the interactive calculators to project the growth of your account and to estimate loan payments, monthly payments, or annuity payments.

Using your Social Security number (SSN) and your TSP Personal Identification Number (PIN), you can enter the secure area of the Web site to find out your daily account balance in shares and dollars, the amount available for you to borrow, your outstanding loan balance and prepayment amount, and the status of a loan or withdrawal request. You can change or replace your PIN, change the allocation of your future payroll contributions among the five TSP funds, request an interfund transfer, initiate (and in some cases complete) a loan or withdrawal, and reamortize your loan.

ThriftLine
The ThriftLine is the TSP's automated telephone service, available 24 hours a day, 7 days a week, from a touch-tone telephone. You can use the ThriftLine to find out the latest information about the TSP (such as share prices and rates of return), as well as information about your TSP account. You can also request certain transactions (you will need your Social Security number and your TSP PIN). The features of the ThriftLine are described on the Web/ThriftLine card.

ThriftLine Telephone Numbers:
From the 50 States, including the District of Columbia, the Virgin Islands, Puerto Rico, Guam, American Samoa, and Canada, call the following numbers toll-free: 1-TSP-YOU-FRST (1-877-968-3778); TDD: 1-TSP-THRIFT5 (1-877-847-4385) (for hearing-impaired participants). Other international callers should continue to call the following numbers (not toll-free): (504) 255-8777; TDD: (504) 255-5113 (for hearing-impaired participants).

4

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 set aside pre-tax dollars into 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 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 season, which occurs 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.

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.

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 Status Change."

A few examples of a "qualified status change" 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); and a change in employment status. For more examples of what constitutes a qualified status change and its impact, go to the FSA website at: https://www.fsafeds.com/fsafeds/downloads/qscfact.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 the 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 Qualified Status Change (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 or 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
- Hearing aids
- Home medical equipment (crutches, wheelchairs, canes, oxygen, respirators, etc.)
- Infertility treatment
- Laser eye surgery
- Mattresses and bed boards (with a doctor's certification)
- Medical supplies
- Occupational therapy
- Orthodontia
- Orthotics
- Over-the-counter medications (not including vitamins and dietary supplements)
- 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 (with a doctor's certification)
- Well-baby and well-child care
- Whirlpool baths (with a doctor's certification)
- Wigs for hair loss due to a disease (with a doctor's certification)

Some ineligible expenses include:

- Cosmetic procedures (unless required to restore appearance or function due to disease or illness)
- Expenses you claim on your income tax return
- Expenses reimbursed by other sources, such as insurance plans
- Fitness programs (unless medically necessary)
- Hair transplants
- 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 those:

- 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)
- Adult daycare expenses
- Expenses for a housekeeper whose duties include caring for an eligible dependent
- Placement fees for a dependent care provider, such as an au pair

Some ineligible expenses include:

- Education and tuition fees
- Late payment fees
- Overnight camps
- Sports lessons, field trips, clothing
- 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 http://www.fsafeds.com/forms/opmclmform.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, go to http://www.fsafeds.com.

5

Federal Employees Retirement System

The Federal Employees Retirement System (FERS) became effective in 1987, and almost all new federal civilian employees hired after 1983 are automatically covered by this new retirement system. Many features of FERS are "portable" so that employees who leave federal employment may still qualify for the benefits. FERS is also a flexible system, allowing employees to choose the coverage that best suits them. FERS is a three-tiered retirement plan. The three components are Social Security Benefits, Basic Benefit Plan, and Thrift Savings Plan Benefits.

The first available part of the retirement benefit is Social Security. It provides monthly payments if you are retired and have reached at least age 62, monthly benefits if you become disabled, monthly benefits for your eligible survivors, and a lump sum benefit upon your death.

The basic benefit portion is financed by a very small contribution from the employee and from the Government. Basic Plan Benefits are a monthly payment depending on the employee's pay and length of service. As in most retirement plans, a formula is used to compute the payments under the Basic Benefit Plan. The government averages the highest 3 consecutive years of basic pay. This "high-3" average pay, together with the employee's length of service, are used in the benefit formula. Employees who meet the criteria also receive a "Special Retirement Supplement," which is paid as a monthly benefit until the employee reaches age 62. This supplement approximates the Social Security benefit earned by the employee while they were employed by the federal government.

The third part of the FERS benefit is the Thrift Savings Plan. The Thrift Savings Plan is a tax-deferred retirement savings and investment plan that offers the same type of savings and tax benefits that many private corporations offer their employees under 401(k) plans.

Under FERS, you pay full Social Security taxes and a small contribution to the Basic Benefit Plan. In addition, your agency puts an amount equal to 1% of your basic pay each pay period into your Thrift Savings Plan (TSP) account. You are able to make tax-deferred contributions to the TSP and a portion is matched by the government. The three components of FERS work together to give you a foundation for your retirement years.

Social Security Benefits

The first part of your benefit is Social Security. The term "Social Security" means benefit payments provided to workers and their dependents who qualify as beneficiaries under the Old-Age Survivors, and Disability Insurance (OASDI) programs of the Social Security Act. OASDI replaces a portion of earnings lost as a result of retirement, disability, or death. It is designed to provide benefits that replace a greater percentage of earnings for lower-paid workers than for higher-paid workers. This means that Social Security benefits are more important for lower-paid workers than higher-paid workers.

As an employee with FERS coverage, you have Social Security coverage. You also are covered under Social Security's Medicare Hospital Insurance program. This pays a portion of hospital expenses incurred while you are receiving Social Security disability benefits or retirement benefits at age 65 or older.

Social Security programs provide:

- Monthly benefits if you are retired and have reached at least age 62, and monthly benefits during your retirement for your spouse and dependents if they are eligible;
- Monthly benefits if you become totally disabled for gainful employment and benefits for your spouse and dependents if they are eligible during your disability;
- Monthly benefits for your eligible survivors; and

- A lump sum benefit upon your death.

To become eligible for benefits, you and your family must meet different sets of requirements for each type of benefit. An underlying condition of payment of most benefits is that you have paid Social Security taxes for the required period of time.

The amount of monthly benefits you receive is based on three fundamental factors:

- Average earnings upon which you have paid Social Security taxes, which are adjusted over the years for changes in average earnings of the American work force;
- Family composition (for example, whether you have a spouse or dependent child who may be eligible for benefits); and
- Consumer Price Index (CPI) changes that occur after you become entitled to benefits.

Benefits are subject to individual and family maximums. Once benefits begin, their continuation may depend upon your meeting a variety of conditions. For example, if you have earnings that exceed specified amounts while you are under age 70, your Social Security benefits will be reduced or stopped. There are special Social Security rules that may affect the benefits of federal employees, including FERS participants. If you previously had some service that was covered by the Civil Service Retirement System (CSRS) (or another similar retirement system for federal employees), your Social Security benefits may be affected by the Windfall Elimination Provision. If you transferred to FERS and do not complete 5 years of service under FERS, any spousal benefit you are entitled to under Social Security may be reduced because of the Government Pension Offset. Check with your agency's Human Resource office or your local Social Security office for more details if you think either of these provisions may affect your benefits.

Social Security Taxes
Most of the cost of Social Security is paid for through payroll taxes. Each year you pay a percentage of your salary up to a specified earnings amount called the "maximum taxable wage base." The federal government, as your employer, pays an equal amount. The percentage you each pay for old age, survivor, and disability insurance coverage is 6.20% of your earnings up to the maximum taxable wage base. The maximum taxable wage base increases automatically each year based on the yearly rise in average earnings of the American work force. The Social Security tax covers both the Old Age, Survivors, and Disability Insurance (OASDI) and Medicare Hospital Insurance programs. The Medicare portion you and your agency each pay is 1.45% of your total pay. All wages are subject to the deduction for Medicare.

Basic Benefit Plan

The second part of the Federal Employees Retirement System (FERS) is the Basic Benefit plan. If you were automatically covered by FERS, or you elected to transfer from the Civil Service Retirement System (CSRS) to FERS, you will participate in the Basic Benefit plan.

Vesting
To be vested (eligible to receive your retirement benefits from the Basic Benefit plan if you leave federal service before retiring), you must have at least 5 years of creditable civilian service. Survivor and disability benefits are available after 18 months of civilian service.

Creditable Service
Creditable service generally includes:

- Federal civilian service for which contributions have been made or deposited.
- Military service, subject to a deposit requirement. To receive credit for military service, generally, you must deposit 3% of your military base pay. Interest begins 2 years after you are hired. With certain exceptions, you cannot receive credit for military service if you are receiving military retired pay. Also, see the note that follows on credit for National Guard service.

- Leaves of absence for performing military service or while receiving workers' compensation.

Unused sick leave is not converted into creditable service for any purpose. (There is a limited exception for CSRS employees who transfer to FERS.) Credit is not allowed for civilian service after 1988 when no contributions were withheld.

Note: Service in the National Guard, except when ordered to active duty in the service of the United States, is generally not creditable. However, you may receive credit for National Guard service, followed by federal civilian reemployment that occurs after August 1, 1990, when the following conditions are met:

- The service must interrupt civilian service creditable under the Civil Service Retirement System (or FERS) and be followed by reemployment in accordance with the appropriate chapter of the laws concerning Veterans Benefits; and
- It must be full-time (and not inactive duty), and performed by a member of the U.S. Army National Guard, or U.S. Air National Guard; and
- It must be under a specified law and you must be entitled to pay from the U.S. (or have waived pay from the U.S.) for the service.

The deposit for National Guard service that meets these criteria is limited to the amount that would have been deducted from your pay for retirement if you had remained in the civilian service.

Contributions

Your contribution to the Basic Benefit Plan is the difference between 7% of your basic pay and Social Security's old age, survivor, and disability insurance tax rate, or 0.80%.

Refunds

You may withdraw your basic benefit contributions if you leave federal employment. However, if you do, you will not be eligible to receive benefits based on service covered by the refund. There is no provision in the law for the redeposit of FERS contributions that have been refunded.

Retirement Options

There are three categories of retirement benefits in the Basic Benefit Plan:

1. Immediate and Postponed
2. Early
3. Deferred

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. The following chart shows the MRA.

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 through 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 or Postponed Benefits

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*

* You will receive a reduced benefit unless receipt of the retirement benefit is delayed to lessen or avoid the age reduction. "Reduced benefit" means if you retire at the minimum retirement age with at least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5/12's of 1% for each month (5% for each year) you are under age 62, unless you have 20 years of service and your annuity begins at age 60 or later. You can avoid part or all of the reduction by postponing the commencing date of your annuity.

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

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 meet one of the following sets of age and service requirements:

Age	Years of service
62	5
60	20
MRA	30
MRA	10*

* You will receive a reduced benefit unless receipt of the retirement benefit is delayed to lessen or avoid the age reduction. "Reduced benefit" means if you retire at the minimum retirement age with at least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5/12's of 1% for each month (5% for each year) you are under age 62, unless you have 20 years of service and your annuity begins at age 60 or later. You can avoid part or all of the reduction by postponing the commencing date of your annuity.

Benefit Formula

Your benefit is based on your "high-3 average pay." This is figured by averaging your highest basic pay over any 3 consecutive years of creditable service. Generally, your benefit is calculated according to this formula:

1% of your high-3 average pay
times
years of creditable service.

If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%. To determine your length of service for computation, add all of your periods of creditable service, then eliminate from the total any fractional part of a month (less than 30 days).

Depending on the category of retirement benefits you receive, your benefit may be reduced as described in the Retirement Options section above. For example, the total could be reduced if you elect to retire at the minimum retirement age before completing 30 years of service.

Special Retirement Supplement
If you meet certain requirements, you will receive a Special Retirement Supplement that is paid as an annuity until you reach age 62. This supplement approximates the Social Security benefit earned while you were employed by the federal government.

You may be eligible for a Special Retirement Supplement if you retire:

- After the Minimum Retirement Age (MRA) with 30 years of service;
- At age 60 with 20 years of service; or
- Upon involuntary or early voluntary retirement (age 50 with 20 years of service, or at any age with 25 years of service) after OPM determines that your agency is undergoing a major reorganization, reduction-in-force (RIF) or transfer of function. You will not receive the Special Retirement Supplement until you reach your MRA.

If you transfer to FERS from the Civil Service Retirement System (CSRS), you must have at least one full calendar year of FERS-covered service to qualify for the supplement.

If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your Special Retirement Supplement will be reduced or stopped.

Survivor Benefits
The Basic Benefit Plan provides benefits for survivors of federal employees and retirees.

Spouses
If you are married, have 18 months of civilian service, and die while you are an active employee, your surviving spouse receives a lump sum payment plus the higher of ½ of your annual pay rate at death or ½ of your high-three average pay. If you had 10 years of service, your spouse also receives an annuity equaling 50% of your accrued basic retirement benefit. These benefits are paid in addition to any Social Security, group life insurance, or savings plan survivor benefits.

To be eligible for benefits, you and your spouse must have been married for at least 9 months, or there must be a child born of the marriage, or your death must be accidental.

If you die while you are a retiree, then your annuity is automatically reduced to provide spouse survivor benefits unless those benefits are jointly waived in writing by the retiree and the spouse before retirement.

Your annuity is reduced 10% to give your surviving spouse an annuity of 50% of your unreduced benefit plus a special supplemental annuity payable until age 60, if your spouse will not be eligible for Social Security survivor benefits until age 60. You and your spouse may choose instead to have your annuity reduced by 5% to give your spouse an annuity of 25% of your unreduced benefit at your death. Separate provisions apply to spouses of disabled annuitants.

Former Spouses
A former spouse may receive survivor benefits as provided in a retiree election or a qualifying court order.

Children
If you have 18 months of civilian service and die while you are an active employee, or if you have retired, your children may be eligible to receive an annuity.

This benefit is payable to each unmarried child:

- up to age 18;
- up to age 22 if a full time student;
- at any age if the child became disabled before age 18.

The amount of the FERS benefit depends on the number of children and if the children are orphaned. The total children's benefit is reduced dollar for dollar by any Social Security children's benefits that may be payable.

Disability Benefits
FERS disability benefits can help you replace part of your income if you are unable to work for a prolonged period.

You are considered disabled under FERS if you are unable to perform useful and efficient service in your position because of disease or injury. However, you will not be considered disabled if you decline your agency's offer of a position which accommodates your disability and is at the same grade or pay level and is within your commuting area.

You may also qualify for Social Security disability benefits if you are unable to work in any substantial gainful activity.

Eligibility
To qualify for FERS disability benefits, your disabling condition must be expected to last at least 1 year, and you must have at least 18 months of creditable civilian service.

The Benefits
The first year: 60% of your high-3 average pay minus 100% of any Social Security disability benefits to which you are entitled.

After the first year and until age 62, if your disability prevents you from performing your job and you do not qualify for Social Security disability benefits, your benefit will be 40% of your high-3 average pay.

If you do qualify for Social Security benefits, your FERS disability benefit will be reduced by 60% of the Social Security benefit to which you are entitled. The resulting total you receive from both FERS and Social Security will be at least 40% of your high-3 plus 40% of your Social Security disability benefits.

If your earned annuity rate (1% x high 3 average salary x years of service) is higher than the above rates after the reduction for Social Security, you will receive the higher benefit.

When you reach age 62, your disability benefit will be recomputed. Essentially, you will receive the annuity you would have received if you had not been disabled, but had continued working until age 62. For purposes of this recomputation, your average salary will be increased by all FERS cost-of-living adjustments that took effect while you were receiving a disability annuity.

If you are a disability retiree under age 60 and your total income from work in a calendar year exceeds 80% of the current pay level of your former job, the disability benefits will be discontinued. You also may be required to provide proof periodically that you have not recovered from your disability.

Cost-of-Living Adjustments (COLA's)
Survivors and disability retirees receive a COLA regardless of their ages; however, disability retirees receiving 60% of their average pay do not receive a COLA during the first year. All other retirees begin to receive COLA's at age 62.

The amount of the annual COLA percentage is based on the increase in the Consumer Price Index (CPI):

Increase in CPI	Annual COLA Percentage
Up to 2%	Same as CPI increase
2% to 3%	2%
3% or more	CPI increase minus 1%

The Special Retirement Supplement for retirees is not increased by COLA's; the supplement for survivors is increased by COLA's.

Form of Payment
FERS Basic Benefits are a monthly annuity that is paid the first business day of the month after it accrues. For example, the payment for December is made on January 2.

Thrift Savings Plan

The third part of your Federal Employees Retirement System (FERS) benefit is the Thrift Savings Plan (TSP). The TSP is a tax-deferred retirement savings and investment plan that offers you the same type of savings and tax benefits that many private corporations offer their employees under 401(k) plans. By participating in the TSP, you have the opportunity to save part of your income for retirement, receive matching agency contributions, and reduce your current taxes.

Your thrift account is the part of your retirement that you control. You decide how much of your pay to put in your thrift account, how to invest it, and, when you retire, you decide how you want your money paid out.

The best way to assure that your retirement income meets your needs is to start investing in the Thrift Savings Plan at the beginning of your federal service, and to continue to do so throughout your career. It is particularly important for higher-paid employees to save enough through the TSP since Social Security replaces less income of higher-paid workers than it does for lower-paid workers. See Chapter 3 on the Thrift Savings Plan for details.

Special Groups: Firefighters, Law Enforcement Officers, and Air Traffic Controllers
These groups of employees receive an unreduced benefit at age 50 with 20 years of service, or at any age with 25 years of service. If you are in one of these employee groups, you contribute an additional 0.5% of pay to the Federal Employees Retirement System (FERS). Your annual annuity is 1.7% of your high-3 average pay times years of service plus 1.0% of your high-3 average pay times years of service exceeding 20.

You also receive a Special Retirement Supplement until age 62 that approximates the Social Security benefit earned in federal service. After you reach the Minimum Retirement Age (MRA), if you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your supplement will be reduced or stopped. In addition, you are entitled to an annual Cost-of-Living Adjustment (COLA), regardless of your age.

Part-Time Employees
In calculating the annuity for employees with part-time service, the average high-3 consecutive years of pay will be based on the full-time pay rate. The benefit based on the full-time rate is reduced according to the part-time schedule.

Enrolling in FERS

New Employees
Most new employees hired after December 31, 1983 are automatically covered by the Federal Employees Retirement System (FERS). The exceptions are employees in appointments that are limited to 1 year or less, most intermittent employees, anyone who is not eligible for Social Security coverage, or certain persons with non-federal service which is creditable under the Civil Service Retirement System (CSRS).

Rehires and Conversions
The general rules on whether you are covered by CSRS, CSRS Offset, or FERS after a break in service or conversion from one type of appointment to another are stated below. Just how those rules apply to you must be determined by your personnel office.

If you leave federal government service and return within 1 year and you were previously covered under CSRS (without Social Security), then you will generally be covered by CSRS upon reemployment. However, you may elect within 6 months of reemployment to transfer to FERS, in which case you will also be covered by Social Security.

If you leave federal government service and return after more than 1 year and you were previously covered under CSRS, then you are automatically covered by Social Security and:

- If you have less than 5 years under CSRS, you are automatically covered by FERS.
- If you have 5 or more years under CSRS, you are covered by CSRS Offset. Your CSRS contributions are reduced by 100% of your Social Security Old-Age, Survivor Disability Insurance (OASDI) fund taxes. Your CSRS benefit will be offset by any Social Security benefit attributable to your federal service.

In determining whether you have 5 years of service that is creditable under CSRS, count all civilian service as of your last separation from service, even though it may not have been covered by CSRS deductions, or you may have received a refund of CSRS deductions. You will receive credit for your CSRS service if you make any payments for your past service that may be required.

Even if you were never covered by CSRS, you are eligible for CSRS Offset Coverage if you had 5 years of creditable civilian service before January 1, 1987.

If you are rehired under CSRS or CSRS Offset, you may elect to transfer to FERS within 6 months of reemployment.

If you elect to transfer to FERS, the following rules apply:

- Your credit in CSRS is frozen, but your combined CSRS and FERS annuity will be based on the average of your highest 3 consecutive years of pay;
- You will receive a full Civil Service Retirement System (CSRS) cost of living adjustment on the CSRS portion of your annuity;
- Your service after the date of transfer is treated under the Federal Employees Retirement System (FERS) rules. (If you were under CSRS Offset, your offset service is also treated under rules.) In addition, all of your service is treated under FERS rules if you have less than 5 years of non-Offset CSRS service when you transfer;
- All service (CSRS and FERS) counts toward years needed to be eligible for retirement, disability, survivor, and Thrift Savings Plan benefits under FERS;
- All survivor and disability benefits are paid under FERS rules;
- Unused sick leave is credited under CSRS rules based on the amount accumulated at the date of transfer or date of retirement, whichever is lower;
- You have Social Security coverage when you enroll in FERS;
- You will receive government contributions to your TSP account and avoid the 6-12 month waiting period for participation.

If you are converted from an appointment that is excluded from FERS coverage to an appointment that is not excluded, generally you will automatically be covered by FERS. If you are not automatically covered by the plan, you will have a 6-month opportunity to transfer to it.

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Civil Service Retirement System

The Civil Service Retirement System (CSRS) originated in 1920 and has provided retirement, disability and survivor benefits for most civilian employees in the federal government. Prior to that time, many of the civilian employees in the federal government simply worked until they died because there was no means of support for them if they were to quit their jobs.

In fact, one Congressman noted in 1920 that "any observing person who during the last third of a century has walked through the corridors of the departments of the government, or watched the clerks entering the various government buildings in the mornings or leaving them at the close of day, must have noticed the large proportion of elderly and infirm among them."

While the original intent of the system was, in part at least, to provide for a means of replacing elderly and infirm employees, the system has evolved into an employee-oriented system. Since then, the Civil Service Retirement System has been a progressive element in the personnel management system. A strong retirement system is a significant part of the attraction to work for an employer, and has allowed the federal government to attract and retain a professional and dedicated workforce.

Upon enactment in 1920, over 4,000 employees, some in their 80's and 90's, took advantage of the new retirement law. The first to retire was Mr. Edwin B. Simonds, who was 89 years old and had worked in the Pension Office for 37 years. By the end of the year, over 6,000 people had retired. Employees with over 30 years of service received 60 percent of their average salary - averaged over the previous 10 years. The maximum benefit was $720 a year.

Just as the functions of the retirement system have changed, so have its provisions. These changing provisions have enabled the Civil Service Retirement System to remain an important piece of the federal personnel management structure. The system was originally administered by the Department of the Interior until 1930, when it moved to the new Veterans Administration. But in 1934, it found a home with the Civil Service Commission, and in 1979, with the Office of Personnel Management.

Benefits have continued to evolve to the present time. They are now financed by both employee and government contributions to the retirement fund, and provide benefits based on length of service and the average salary over the highest three years of pay.

This continuing need to modernize benefits resulted in the creation of a new Federal Employees Retirement System to replace the Civil Service Retirement System in 1987. However, there are still many civilian federal employees covered by the Civil Service Retirement System, and over 2 million people continue receiving Civil Service Retirement System retirement and survivor benefits each month.

When You May Retire

You may retire under the Civil Service Retirement System (CSRS) at the following ages, and receive an immediate annuity, if you have at least the amount of federal service shown:

Type of Retirement	Minimum Age	Minimum Service (Year)	Special Requirements
Optional	62	5	None
Optional	60	20	None
Optional	55	30	None
Special Optional	50	20	Special Optional - 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	Any Age* 50*	25 20	Early Optional - Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function as determined by the Office of Personnel Management.
Discontinued Service	Any Age 50	25 20	Discontinued Service - Your separation must be involuntary and not a removal for misconduct or delinquency.
Disability	Any Age	5	Disability - 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.**

* Annuity is reduced if under 55.
** Application must be prior to retirement, or within 1 year of separation, except in cases of mental incompetence.

How Annuities Are Computed

Your basic annuity is computed based on your length of service (which includes unused sick leave if you retire on an immediate annuity) and "high-3" average pay. 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 from the total any fractional part of a month. Your "high-3" average pay is the highest average basic pay you earned during any 3 consecutive years of service. Generally, your basic annuity cannot be more than 80 percent of your "high-3" average pay, unless the amount over 80 percent is due to crediting your unused sick leave.

Your yearly basic annuity is computed by adding: (a) 1.5 percent of your "high-3" average pay times service up to 5 years; (b) 1.75 percent of your "high-3" pay times years of service over 5 and up to 10; and (c) 2 percent of your "high-3" pay times years of service over 10.

Your basic annuity will be reduced if: (a) you retire before age 55 (unless you retire for disability or under the special provisions for law enforcement officers, air traffic controllers, and firefighters); (b) 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); (c) you didn't make a redeposit of a refund for a period of service that ended before October 1, 1990; or (d) you provide for a survivor annuitant.

Your annuity will be increased periodically by cost-of-living increases that occur after you 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.

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. Military service performed on or after January 1, 1957 is normally creditable for Social Security benefits at age 62. Individuals first employed before October 1, 1982 have the option of either (1) making a 7 percent deposit for post-1956 military service, thereby avoiding a reduction in their annuity at age 62, or (2) not making the deposit and having their annuities reduced at age 62 if they are then eligible for Social Security benefits. Employees first hired by the federal government on or after October 1, 1982 must make the deposit or receive no credit at all, including eligibility to retire, for military service.

Disability Retirement

If you retire for disability, you may be guaranteed a minimum annuity equal to the smaller of: (a) 40 percent of your "high-3" average pay, or (b) the regular annuity obtained after increasing your service by the time between your retirement and your 60th birthday. This 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.

There is an exception, however. The guaranteed minimum does not apply if you are receiving military retired pay and/or VA compensation 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.

If You Retire Before Age 55

If you voluntarily retire during a major reorganization, reduction-in-force, or transfer of function, or if you are involuntarily separated and are younger than 55, your basic annuity will be reduced by one-sixth of 1 percent for each full month you are under 55. There is no age reduction if you retire under the disability provision or under the special provisions for air traffic controllers, law enforcement officers, and firefighters.

If You Die in Service

If you die after 18 months of civilian service, your widow(er) will get an annuity, provided you were married for a total of 9 months. The 9-month requirement does not apply if your death is accidental or there is a child of the marriage.

Generally, your widow(er) is entitled to 55 percent of the basic annuity earned by your creditable service and average salary. However, if it will produce a higher annuity, your widow(er) will receive 55 percent of the guaranteed minimum benefit described under "Disability Retirement" above.

If you have a former spouse from whom you were divorced after May 6, 1985, he or she may receive, by court order, all or a part of the annuity that your widow(er) would otherwise get.

Your unmarried children will also be entitled to annuities if you die in service. Their annuities will continue until they reach age 18 - or age 22 if they remain in school full-time. The annuity of a child who is incapable of self support because of a disability incurred before age 18 will continue indefinitely unless the child becomes capable of self support.

Providing for Your Survivors on Retirement

If you are married when you retire, your annuity will be reduced to provide a full survivor annuity for your spouse (unless he or she consents to a lesser benefit). To provide for a survivor annuity, your annuity will be reduced by 2.5 percent of the first $3,600, plus 10 percent of the annuity over $3,600. The survivor annuity will be 55 percent of the amount of your annuity before this reduction. Note: If you were divorced after May 6, 1985, your former spouse may receive by court order, all or part of the survivor annuity that your current spouse would otherwise get. You can also elect a survivor annuity for a former spouse (but if you are married, you must get your spouse's consent).

If you are not retiring for disability, and are in reasonably good health, you can provide a survivor annuity for a person who has an "insurable interest" in you, such as a relative who is in your care, or a current spouse who would not otherwise get a survivor annuity because of a court-ordered award to a former spouse. To provide this benefit, your annuity would be reduced from 10 to 40 percent depending on the difference in your age and the age of the person named. This reduction would be added to any reduction required to provide a survivor annuity for a spouse or former spouse.

If You Leave the Service

If you leave federal employment before you are eligible for an "immediate" annuity, you can either have your deductions returned or leave the money in the retirement fund. If you have completed at least 5 years of civilian service and you leave your money in the fund, you will be entitled to a "deferred" annuity at age 62.

Making Payments for Previous Service

If retirement deductions were not taken from your pay during certain periods of service, you will need to pay these deductions into the retirement fund to receive full credit for the service. If you had a refund of retirement deductions for prior service, you must repay this money into the retirement fund to receive credit for service in your retirement benefits. Exception: If you retire (other than on disability) while owing a redeposit of a refund for service that ended before October 1, 1990, you will not be required to pay the redeposit in order to receive credit for that refunded service. Instead, full credit for the refunded service will be allowed in computing your annuity, but the annuity will be actuarially reduced.

Alternative Form of Annuity

Some retirees can choose to receive an Alternative Form of Annuity if they are eligible due to a life-threatening illness or other critical medical condition. Under this option, you receive a reduced monthly benefit, plus a lump sum payment equal to all your unrefunded contributions to the retirement fund. The amount of reduction in your monthly benefit depends on your age at the time you retire and the amount of your retirement contributions. Your election of an

Alternative Form of Annuity will not affect the potential survivor annuity payable to your spouse or children. However, you must have your spouse's consent to make this election.

You cannot choose the Alternative Form of Annuity if you are retiring for disability or if you have a former spouse who is entitled to court-ordered benefits based on your service. In addition, you may not elect the Alternative Form of Annuity unless you have a life-threatening medical condition.

CSRS Offset Employees

You are a "CSRS Offset" employee if you are one of the employees covered by CSRS and Social Security at the same time. You will be eligible to receive a CSRS annuity just as if you were covered by CSRS alone, except that the annuity payment will be reduced when you become eligible for Social Security benefits (usually at age 62). The amount of the reduction will be the amount of the Social Security benefit attributable to your service after 1983 that was covered by both CSRS and Social Security. A survivor annuity based on your service will be reduced for any survivor Social Security benefits in the same manner.

7

Federal Long-Term Care Insurance Program

The Federal Long-Term Care Insurance Program (FLTCIP) provides Long-Term care insurance to help pay for the cost of care when you need help with activities you perform every day, or you have a severe cognitive impairment, such as Alzheimer's. Over 20 million members of the Federal Family are eligible for the insurance offered through the FLTCIP. This includes Federal and Postal employees and annuitants, active and retired members of the uniformed services and qualified relatives, their qualified relatives, and a few other eligible groups.

In December 2001, OPM contracted with John Hancock and MetLife to provide the insurance. They formed a company called Long-Term Care Partners, LLC to administer the FLTCIP. Below the FLTCIP is explained in detail, including who is eligible to apply, and what benefit options you can select.

Long-Term care insurance provided under the FLTCIP provides you reimbursement for the costs of care when you are unable to perform at least two Activities of Daily Living for an expected period of at least 90 days, or when you need constant supervision due to a severe cognitive impairment, which is defined as the deterioration or loss of intellectual capacity that requires substantial supervision by another person. The FLTCIP will provide reimbursement based on the benefit options and amounts you are approved for.

Eligibility

The Long-Term Care Security Act of 2000 specifies who is eligible to apply for the FLTCIP. Those in the "Federal Family" who are eligible include Federal and Postal employees and annuitants, members and retired members of the uniformed services, their qualified relatives, and a few other eligible groups.

In addition to being eligible to apply for the FLTCIP, you will also have to answer questions about your health on the underwriting application. Depending upon those answers, and perhaps a review of your medical records and/or an interview with a nurse, you may or may not be eligible to enroll in the FLTCIP.

The following groups are included in the Federal Family (please note that you must be at least 18 years old when you submit your application):

Employees

- Most Federal and U.S. Postal Service employees
- 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 Reserves (Members of the individual Ready Reserve are NOT eligible to apply)
- Navy Personnel Command (BUPERS) NAF employees
- Employees of the Tennessee Valley Authority
- D.C. Government employees who were first employed by the D.C. Government before October 1, 1987
- Employees of the D.C. Courts

For Federal and Postal employees, in general if you are in a position that conveys eligibility for Federal Employees Health Benefits (FEHB) coverage, you are eligible for this program (whether enrolled in FEHB or not - the key is ELIGIBILITY).

Annuitants

- Federal and USPS annuitants, including survivor and deferred annuitants

- Retired members of the Uniformed Services who are entitled to retired or retainer pay
- Compensationers (individuals receiving compensation from the Department of Labor who are separated from the Federal service)
- Retired "grey" reservists
- Navy Personnel Command (BUPERS) NAF employees
- Separated employees with title to a deferred annuity, even if they are not yet receiving that annuity
- Former Federal and USPS employees who separated from service with title to a deferred annuity
- Retired employees of the Tennessee Valley Authority
- Retired D.C. Government employees who were first employed by the D.C. Government before October 1, 1987
- Retired employees of the D.C. Courts
- Surviving spouses. To be considered eligible to apply for this insurance, surviving spouses must be receiving a Federal survivor annuity. They must be a surviving spouse of a deceased person in one of the following groups:
    - Federal and Postal employees or annuitants
    - D.C. Government employees or annuitants who were first employed by the D.C. Government before October 1, 1987, or
    - D.C. Courts employees or annuitants.
- Surviving spouses of deceased active or retired members of the uniformed services who are receiving a Federal survivor annuity. However, they are considered eligible as qualified relatives, rather than as annuitants.

Qualified Relatives

- Current Spouses of employees and annuitants (including surviving spouses of members and retired members of the uniformed services who are receiving a survivor annuity).
- Adult children (at least 18 years old, including natural children, adopted children and stepchildren) of living employees and annuitants. Foster children are not eligible.
- Parents, parents-in-law, and stepparents of living employees (but those of annuitants are not eligible).

People who fall into one of those groups are eligible to apply for the insurance. Whether someone's application will be approved and he/she will be enrolled in the insurance will depend on the results of the medical underwriting. Not everyone who applies for this insurance will be approved for it.

Types of Plans

Four Pre-Packaged Plans
The FLTCIP has four pre-packaged plans. The Facilities 100 plan covers care in nursing homes, assisted living and hospice facilities and respite services provided in a facility. The Comprehensive 100, 150 and 150+ plans cover everything in the Facilities 100 plan, plus home care, adult day care, respite services at home and home hospice care.

Alternatively, you may wish to customize your own plan by mixing and matching the available benefit options. Here is a detailed list of the benefits included in the pre-packaged plans:

Facilities 100 Package. This package includes the following:

- Covered Services:
    - Nursing Homes
    - Assisted Living Facilities
    - Hospice Facilities
    - Respite Services (in a facility)

- Daily Benefit Amount (DBA): $100
- Benefit Period: 3 years
- Maximum Lifetime Benefit: $109,500
- Waiting Period: 90 days
- Inflation Protection: A choice of the automatic compound inflation option or the future purchase option

Comprehensive 100 Package. This package includes the following:

- EVERYTHING in the Facilities 100 Plan, PLUS:
    - Home Care (formal and informal)
    - Adult Day Care
    - Hospice Care at home
    - Respite Services at home
- Daily Benefit Amount (DBA): $100
- Benefit Period: 3 years
- Maximum Lifetime Benefit: $109,500
- Waiting Period: 90 days
- Inflation Protection: A choice of the automatic compound inflation option or the future purchase option

Comprehensive 150 Package. This package includes the following:

- EVERYTHING in the Facilities 100 Plan, PLUS:
    - Home Care (formal and informal)
    - Adult Day Care
    - Hospice Care at home
    - Respite Services at home
- Daily Benefit Amount (DBA): $150
- Benefit Period: 5 years
- Maximum Lifetime Benefit: $273,750
- Waiting Period: 90 days
- Inflation Protection: A choice of the automatic compound inflation option or the future purchase option

Comprehensive 150+ Package. This package includes the following:

- EVERYTHING in the Facilities 100 Plan, PLUS:
    - Home Care (formal and informal)
    - Adult Day Care
    - Hospice Care at home
    - Respite Services at home
- Daily Benefit Amount (DBA): $150
- Unlimited Benefit Period
- Maximum Lifetime Benefit: unlimited
- Waiting Period: 90 days
- Inflation Protection: A choice of the automatic compound inflation option or the future purchase option

Facilities-Only vs. Comprehensive

Whether you choose one of the four pre-packaged plans or customize your own plan, one of the first decisions you will need to make is the type of plan that meets your needs. The two coverage options under the FLTCIP are a Facilities-Only plan or a Comprehensive plan.

A Facilities-Only plan includes services that you would receive while in a Nursing Home, Assisted Living Facility, or inpatient Hospice facility. It also covers respite services in these facilities. It does not cover home care. A Comprehensive plan includes everything in a Facilities-Only plan PLUS home care (formal and informal), adult day care, hospice care at home and respite services at home.

If you're looking for only catastrophic coverage, you may want to consider a Facilities-Only plan. You may also want to consider a Facilities-Only plan if you live alone, do not have a large support network, or do not see yourself using home care.

A Facilities-Only plan is less expensive than a Comprehensive plan. However, some of the features built into a Comprehensive plan, such as coverage for informal care and adult day care, can provide you with a great deal of flexibility. If you think you might prefer to receive care at home rather than (or at least before) care in a facility, you may want to consider a Comprehensive plan.

Daily Benefit Amount

Another option you will need to consider is your Daily Benefit Amount (DBA). Your DBA is the maximum amount the FLTCIP will pay for services you receive in any single day. Choices for your daily benefit amount range from $50 to $300 in increments of $25. The Program will reimburse care in a nursing home, assisted living facility, hospice care (whether in a facility or at home), and respite services (whether in a facility or at home, up to 100% of your DBA, limited to 30 times your DBA per calendar year).

Keep in mind, however, that a Facilities-Only plan does not cover hospice or respite services at home. Home care and adult day care costs, which are covered under a Comprehensive plan only, are reimbursed up to 75% of your DBA.

When selecting your DBA, it is important to consider the average daily cost of home care or facility care in the area where you think you might receive services. The amount you select for your DBA will affect the cost of your plan. A higher DBA will have a higher premium.

Weekly Benefit Amount

If you choose a Comprehensive plan, you will also need to choose whether you want to have your benefits reimbursed on a weekly basis (7 times your daily benefit amount) for greater flexibility. The weekly benefit amount is not available with a Facilities-Only plan. Premiums for weekly reimbursement are an average of 6% higher than premiums for daily reimbursement. However, the greater flexibility may be worth the cost. Here's an example of how this works:

This example assumes that you receive home care 2 days during the week and that you have a DBA of $100. On day 1, the cost of your home care is $75 and on day 2, the cost of your home care is $125 because you also received physical therapy that day. Remember that home care is reimbursed up to 75% of your DBA, so in this example it would be reimbursed up to $75 per day. So with daily reimbursement, day 1 costs will be covered in full and $75 of day 2 costs will be covered. You will have to pay $50 out-of-pocket for the cost that was not covered on day 2 ($125 – $75). If you chose weekly reimbursement for your plan, your home care costs would be covered in full. That's because the weekly benefit with a $100 DBA is $700 (7 x DBA), so home care would be reimbursed up to 75% of that ($525), and the total cost of care is only $200 ($75 + $125).

Benefit Period

Another option you will need to select is your Benefit Period. The Benefit Period is the length of time your insurance will last if you receive care every day at a cost equal to or more than your DBA. If your care costs less than your DBA, or you do not receive services every day, your insurance will last longer than your benefit period.
The FLTCIP provides you with a choice of three Benefit Periods – 3 years, 5 years, and unlimited. An unlimited Benefit Period means exactly that – your benefits are unlimited and will not run out, subject to the daily or weekly restrictions.

Your benefit period is used as a multiplier, along with your DBA, to determine your maximum lifetime benefit.

Maximum Lifetime Benefit

The maximum lifetime benefit is the total dollar amount your plan could pay for covered services. You may also see this referred to as a "pool of money." If you select an unlimited benefit period, there is no "maximum lifetime benefit" – it is unlimited.

Your Benefit Period multiplied by your DBA equals your maximum lifetime benefit:

Using a daily benefit amount of $100 and a benefit period of 3 years: $100 x 365 x 3 = $109,500

Your maximum lifetime benefit would be $109,500. This is the total amount this plan would reimburse you for Long-Term care services. Every dollar paid for your benefits reduces your maximum lifetime benefit. When your maximum lifetime benefit is gone, your insurance coverage ends.

Waiting Period

Next, you will need to choose a waiting period. The waiting period is the number of days during which you must be eligible for benefits and receiving covered services before your benefits start. It works like a deductible in health insurance. You only have to satisfy the waiting period once in your lifetime. Days applied toward satisfying the waiting period need not be consecutive, nor associated with the same episode of care. The days will be added together until the waiting period is satisfied. When you apply for coverage, you select the length of your waiting period - the standard is 90 days, but you may choose 30 days instead, at an additional cost.

The FLTCIP does not pay benefits during your waiting period. However, the waiting period does not apply to hospice care, respite care, and caregiver training. Because there is no waiting period for hospice care, respite care, and caregiver training, these covered services do not count toward meeting your waiting period.

Inflation Protection

You also need to consider how your benefits will stay current with the rising costs of care. To help make sure that your benefits keep pace with inflation, the FLTCIP provides you with two inflation protection options: an Automatic Compound Inflation (ACI) Option and a Future Purchase Option (FPO).

Automatic Compound Inflation Option

With this option, your Daily Benefit Amount (DBA) and the remaining portion of your maximum lifetime benefit will automatically increase by 5% every year with no corresponding increase in your premium. And the benefit increases continue even if you are eligible for benefits. While the initial premium is higher with this option, you won't have to think about the cost of having to buy additional coverage or worry about whether your coverage (especially after you retire) will keep pace with inflation. Your benefits increase year after year, while your premium remains level.

Future Purchase Option

This allows you to buy additional coverage every two years at an extra cost. The increase offered in your Daily Benefit Amount and the remaining portion of your maximum lifetime benefit is based on increases in the Consumer Price Index for Medical Care. With the Future Purchase Option, you can assess the costs of care in the future and make a decision to upgrade when you can afford to. Each time you buy additional coverage, your premium will increase. The premium for the additional coverage will be based on your age and premium rate at the time the increase takes effect.

Every two years you will receive your Future Purchase Option notification provided you are not eligible for benefits and have not declined three Future Purchase notifications in the past. A unique feature of the FLTCIP is your ability to switch to the Automatic Compound Inflation Option, for an additional premium, without proof of good health when you receive your Future Purchase notification as long as you are not eligible for benefits and have not declined three Future Purchase notifications in the past.

Types of Care Covered

Facilities-Only Option
The following services are covered under the Facilities-Only Option:

Nursing Home and Assisted Living Facility Care:
On any day you are in a Nursing Home or Assisted Living Facility, including those specializing in the care of persons with Alzheimer's disease, the FLTCIP will pay for:

- room and board accommodations; and
- nursing care by a formal caregiver; and
- drugs, incontinence supplies, dietary supplements, personal medical equipment and laundry services.

Inpatient Hospice Facility Care:
On any day you are in a Hospice facility, the FLTCIP will pay for:

- room and board accommodations; and
- hospice care; and
- drugs, incontinence supplies, dietary supplements, personal medical equipment and laundry services.

The waiting period does not apply to care in a Hospice facility. Care in a Hospice facility does not count toward meeting your waiting period.

Respite Services in a Facility
Respite Services provided in a Nursing Home, Assisted Living Facility or Hospice facility will be paid for. Respite Services are limited to 30 times your daily benefit amount per calendar year.

Comprehensive Option
The Comprehensive Option includes all services covered under the Facilities-Only Option plus the following additional covered services:

Home Care
Includes care provided at home by a nurse, home health aide, homemaker, or therapist. The FLTCIP also covers informal care provided by friends, family members and other non-licensed caregivers who did not normally live in your home at the time you became eligible for benefits. Informal care provided by family members is covered up to 365 days in a lifetime.

Formal Care at Home
A Comprehensive plan will pay for services provided to you by a Formal Caregiver at home.

Informal Care
A Comprehensive plan will pay for services provided by an Informal Caregiver if the services are:

- provided to you at home or at a location other than a Nursing Home, Hospice facility or Assisted Living Facility (such as the home of a friend or relative); and
- approved by an FLTCIP care coordinator as part of your written Plan of Care; and
- provided by a person who did not normally live in your home at the time you became eligible for benefits. (Note: The FLTCIP will pay for Informal Caregiver services provided by a person who began living in your home after you became eligible for benefits).

Benefits for Informal Caregivers who are Family Members are limited to 365 days in your lifetime.

Adult Day Care Center
A Comprehensive plan also pays for services provided under an adult day care program at an Adult Day Care Center.

Hospice Care at Home
In addition to hospice care in a facility, a Comprehensive plan will also pay for Hospice Care provided to you at home. The waiting period does not apply to Hospice Care at home. Hospice Care at home does not count toward meeting your waiting period.

Respite Services at Home
Includes care provided in a Nursing Home, Assisted Living Facility or Hospice Facility; by a Formal or Informal Caregiver at home; or at an Adult Day Care Center. Benefits for Respite Services (in a facility or at home) are limited to an amount equal to 30 times your Daily Benefit Amount per calendar year. The waiting period does not apply to Respite Services. Respite Services do not count toward meeting your waiting period.

Limits on Reimbursement For Covered Services
The FLTCIP provides reimbursement for actual charges you incur for covered services *up to* the following percentages:

Covered Services Under Both the Comprehensive Option and the Facilities-Only Option	**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 30 days per calendar year
Caregiver training	100% of your daily benefit amount - benefits limited to 7 x your daily benefit amount in your lifetime
Respite services	100% of your daily benefit amount - benefits limited to 30 x your daily benefit amount per calendar year

Additional Covered Services Under the Comprehensive Option	**Daily Reimbursement Up To**
Formal caregiver services	75% of your daily benefit amount
Informal caregiver services	75% of your daily benefit amount - benefits for informal caregiver services provided by family members who did not normally live in your home at the time you became eligible for benefits are limited to 365 days in your lifetime
Hospice care at home	100% of your daily benefit amount
Adult day care center	75% of your daily benefit amount

If you select the Comprehensive Option, you may choose to have benefits for covered services determined on a weekly instead of a daily basis. The weekly benefit amount is equal to 7 times your daily benefit amount. If you choose the weekly benefit amount, the FLTCIP provides reimbursement for actual charges you incur for covered services **up to** the following percentages:

Covered Services Under the Comprehensive Option (Weekly Benefit Amount)	Daily Reimbursement Up To
Nursing home, assisted living facility or hospice facility	100% of your weekly benefit amount
Formal caregiver services	75% of your weekly benefit amount
Informal caregiver services	75% of your weekly benefit amount - benefits for informal caregiver services provided by family members who did not normally live in your home at the time you became eligible for benefits are limited to 365 days in your lifetime
Hospice care at home	100% of your weekly benefit amount
Adult day care center	75% of your weekly benefit amount
Bed reservations	100% of your weekly benefit amount - benefits limited to 30 days per calendar year
Caregiver training	100% of your weekly benefit amount - benefits limited to 7 x your daily benefit amount in your lifetime
Respite services	100% of your weekly benefit amount - benefits limited to 30 x your daily benefit amount per calendar year

Waiver of Premium

You will not have to pay premiums if you are eligible for benefits and have satisfied your waiting period. Premiums are also waived if you are eligible for benefits and receiving hospice care, even though no waiting period applies to 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 premiums.

Portability

Your coverage under the FLTCIP is portable. This means that once you enroll in the program, you will remain enrolled as long as you pay the premiums. It doesn't matter if you leave Federal service, divorce your Federal spouse, or otherwise lose your affiliation to the Federal Family.

Bed Reservations

If you are in a Nursing Home, Assisted Living facility, or Hospice facility and you leave that facility, the FLTCIP will pay for actual charges you incur to hold a space to enable you to return to that facility. The FLTCIP will not pay for more than the benefit that it would pay if you had been in the facility on those days. Benefits for bed reservations are limited to 30 days per calendar year.

Alternate Plan of Care

In certain circumstances, the FLTCIP care coordinators can authorize benefits for services that are not specifically covered under the Federal Program. For example, if you have a Comprehensive plan, the Program might cover making your home wheelchair-accessible, which could be a good alternative to other Program services.

Care Coordination

The FLTCIP care coordinators are registered nurses. They will work with you to help you through the benefit eligibility process and help you identify the Long-Term care providers and services to meet your needs.

Your care coordinator can arrange for discounted services, monitor the care you're receiving, and assist with altering your plan of care as your needs change. Unlike most Long-Term care insurance programs, the FLTCIP also provides care coordination services to qualified relatives of enrollees. This can be invaluable in helping reduce the stress that you can experience when a relative needs Long-Term care.

International Benefits

Because the FLTCIP is designed exclusively for the Federal Family, it provides benefits for covered services outside the United States and its territories and possessions ("the United States"). These international services are covered up to 80% of the benefit limits, not to exceed 80% of your maximum lifetime benefit. The remaining 20% will be available for covered services if you return to the United States and continue to need Long-Term care.

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 does not apply to the international benefits.

Caregiver Training

The FLTCIP will pay for the training of a family member or any other informal caregiver to care for you. Benefits for caregiver training are limited to an amount equal to 7 times your daily benefit amount in your lifetime. There is no waiting period for caregiver training.

Service Package

If as a result of the underwriting process you are declined coverage, you will be offered the Service Package option. The Service Package is a non-insurance option that provides access to care coordination and discounts. This option is available for a membership fee of $59.00 per year for a single person or married couple. Anyone eligible for the Service Package will automatically receive more information from LTC Partners about this option.

Alternative Insurance Plan

The alternative insurance plan is available to anyone who answered yes to any of questions 4-7 in part B (and no to all of questions 1-3) of the abbreviated underwriting application. This plan is also available to spouses eligible to use the abbreviated underwriting application who answered yes to questions 8 or 9 in part B of the application, no to all of questions 1-3, and were declined for standard coverage. This is a nursing home only plan that provides a weekly benefit, a 2-year benefit period (104 weeks) and a 180-day waiting period. Anyone who applies for insurance under the Federal Program and is eligible for the Alternative Insurance Plan will automatically receive more information about this option.

Original Effective Date

Your original effective date is the date that your coverage is scheduled to go into effect. However, it may not become effective on that date. Employees and members of the uniformed services must be actively at work on that date, otherwise coverage will not become effective on that date. In addition, your coverage may not become effective if you leave your eligible group before that date.

If you apply and your application is approved, you'll receive a Schedule of Benefits that will list an Original Effective Date. Your Original Effective Date will be the first day of the month following approval of your application.

You are responsible for letting LTC Partners know if your health changes from the time you completed your application until your original effective date. If so, and if that change in health is such that you would now answer one or more questions differently on the application, you have a duty to inform LTC Partners. LTC Partners will then determine if you are still approved for coverage. If you do not inform LTC Partners of this change in health, then LTC Partners may have the right to deny a claim for benefits or rescind coverage.

Premiums
The amount of your premium is based on the coverage options you are approved for and your age. Your premiums will not change because you get older or your health changes after your coverage becomes effective. You can use the Premium Calculator at www.ltcfeds.com to find out the premiums for your age and the benefit options you choose. The calculator will allow you to model up to four options and compare the benefits and costs of each on the same screen.

Premiums are due and payable on the first day of the month in which they are due. You must pay premiums in U.S. currency.

Billing Options
The FLTCIP offers three options for paying your Long-Term care insurance premiums – Automatic Bank Withdrawal, Payroll/Annuity Deduction, and Direct Bill. You may also pay the premiums for any of your qualified relatives who apply and are approved for coverage, even if you don't apply or you apply and are denied coverage.

Automatic Bank Withdrawal
If you choose this option, you will need to complete a Billing Change Form. The deduction will be processed automatically from your checking or savings account on the third business day of every month. You will need to provide details about your account on your application. For checking account deductions, you will have to provide a voided check. For savings account deductions, you will have to provide a savings deposit slip. You will also have to sign a written authorization so that the deductions can begin.

Payroll / Annuity Deductions
This service is available to most employees and annuitants, and members and retired members of the uniformed services. Your premium deduction will begin on the first day of the first pay or annuity period that begins on or after your effective date of coverage.

Direct Bill
If you select the Direct Bill option, you will receive a bill to your designated mailing address during the month before your premium is due. You may designate an alternate billing address if you would like.

You can change your method of payment at any time and for any reason by submitting a Billing Change Form. To obtain a Billing Change Form you can call 1-800- LTC-FEDS (1-800-582-3337) (TTY: 1-800-843-3557). You will need to complete, sign and mail the form to the address provided on the form.

Grace Period
There is a 30-day grace period for payment of your premium. This means that your premium payment must be received by the 30th day after the date it is due. If your premium is not received by the end of this grace period, you will be sent a written notice of termination of your coverage by first class mail. You will have 35 days from the date of the termination letter to pay your premium; otherwise your coverage will end.

To help protect you from an unintended lapse of your coverage, you have the option of designating a person to receive a copy of any notice of termination that is sent to you. The person that you designate will not be responsible for your premium payment. If you elect this feature (either on your application or anytime when your coverage is effective), you must notify LTC Partners in writing if you want to change your designation.

Coordination of Benefits
The FLTCIP includes a provision for Coordination of Benefits (COB). This COB provision follows the guidelines set by the National Association of Insurance Commissioners (NAIC).

In determining the amount of benefits LTC Partners will pay, this COB provision allows LTC Partners to look at other plans that might pay benefits for Long-Term care services that you receive. The other plans LTC Partners will look at

include government programs (other than Medicaid), group medical benefits, and other employer-sponsored Long-Term care insurance. LTC Partners will not look at individual insurance policies or association group insurance policies. This COB feature does not apply to international benefits.

Tax Qualified

According to Federal law, tax-qualified Long-Term care insurance programs are treated like other medical insurance for Federal income tax purposes. For example, benefits you receive cannot be taxed as income for Federal tax purposes and you may be able to deduct a portion of your premiums from your taxable income.

The FLTCIP, by law, is designed to be a tax qualified Long-Term care insurance coverage under Section 7702B(b) of the Internal Revenue Code of 1986, as amended. That means that you have the same Federal income tax advantages afforded to all such tax-qualified plans. Subject to specified dollar limits that vary depending on your age, you may be able to include your premium in your itemized deductions on your Federal income tax return, if your total medical expenses, including the allowable portion of your premium, exceed 7½ % of your adjusted gross income. The allowable dollar limits are reviewed each year by the U.S. Treasury and adjusted accordingly.

These amounts will increase annually based upon the Consumer Price Index for Medical Care. Many states also offer tax incentives for their residents who purchase Long-Term care insurance. For more information on state specific tax incentives, visit the OPM website at www.opm.gov/insure/ltc or consult your tax advisor.

Outline of Coverage

The Outline of Coverage is an informational booklet that provides a brief description of the most important features of coverage available under the FLTCIP. Items included in the Outline are Benefits Provided, Eligibility, Exclusions and Limitations, and Inflation Protection. Since all insurers are required to issue an outline of coverage, you can use these to compare different plans. Note that the Outline of Coverage is not a contract; the contractual provisions that relate to you are contained in your Benefit Booklet and Schedule of Benefits that you will receive if your application for coverage is approved. You can review a copy of the FLTCIP's Benefit Booklet and Schedule of Benefits Sample by going to www.ltcfeds.com.

Exclusions

The FLTCIP does not cover:

1. illness, treatment or medical condition arising out of :
    a. your participation in a felony, riot or insurrection
    b. your attempted suicide, while sane or insane;
    c. injuries you intentionally inflict on yourself;
2. care or treatment for alcoholism or drug addiction;
3. care or treatment provided to you in a government facility, including a Department of Defense or Department of Veterans Affairs facility, unless otherwise required by law;
4. care you receive while in a hospital, except in a unit specifically designated as a nursing home or hospice facility;
5. any service or supply to the extent that the expenses are reimbursable by Medicare, or would be so reimbursable except for the application of a deductible, coinsurance or co-payment amount (this exclusion will not apply in those instances where Medicare is determined to be the secondary payor under applicable law);
6. services or supplies for which you are not obligated to pay in the absence of insurance; or
7. services provided by another person who normally lived in your home at the time you became eligible for benefits.

Unlike most Long-Term care insurance policies available, FLTCIP coverage does NOT contain a War exclusion. Your coverage may be reduced if a war or act of war (declared or undeclared) is determined to be a Catastrophic Event under the Catastrophic Coverage Limitation. 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.

Benefit Eligibility
You will be eligible for benefits when a licensed health care practitioner certifies and LTC Partners agrees that either:

- you are unable to perform at least two of the six Activities of Daily Living (ADLs) without substantial assistance for a period expected to last at least 90 days. Activities of Daily Living are eating, bathing, dressing, transferring, toileting, and continence; or
- you require substantial supervision to protect yourself due to a severe cognitive impairment, such as Alzheimer's disease.

Benefits can begin after the waiting period that you choose, if the covered services are part of an approved "plan of care" developed by a licensed health care practitioner of your choice and approved by LTC Partners.

Claims
To initiate a claim, you or your representative must submit written proof of your claim to LTC Partners no later than 12 months from the date you incurred charges for covered services. If you or your representative do not submit proof of claim within this time limit, benefits may be denied unless you can show that it was not reasonably possible for you to submit proof of claim within the time limit, and you or your representative submitted proof of claim as soon as reasonably possible.

Claims Determination
LTC Partners will send you written notice of its claim determination no later than 10 business days after it receives all the information it needs.

If your claim is denied, in whole or in part, the notice will provide the reason(s) for the denial. You or your representative may request a review of a denial by sending a written request to LTC Partners no later than 60 days after the date of the denial. No later than 60 days after the date LTC Partners receives your request, it will send you written notice of its decision. If the initial denial is upheld on review, you may request an appeal.

Appeals
If you choose to appeal the eligibility for benefits or claim decision, you must send a written request to LTC Partners, with any additional information that you wish to be considered, no later than 60 days after the date of LTC Partners' review decision. Your appeal will be reviewed by an appeals committee composed of: one or more representatives of John Hancock Life Insurance Company, one or more representatives of Metropolitan Life Insurance Company, and other person(s) if mutually agreed upon by OPM and LTC Partners.

The appeals committee will provide you with written notice of its final decision no later than 60 days after the date your written request for appeal was received. If the appeals committee upholds the denial and that denial is eligible for appeal to an independent third party (as explained below), the written notice will let you know how to request such an appeal.

Independent Third Party
If the appeals committee upholds a denial of your eligibility for benefits or your claim due to its evaluation of your medical condition/functional capacity, such as your ability to perform Activities of Daily Living or your cognitive status, you may request an appeal of that decision to an independent third party mutually agreed to by OPM and LTC Partners. You must make this request in writing no later than 60 days after the date of the notice informing you of the appeals committee's decision.

The independent third party will provide you with written notice of its final decision no later than 60 days after LTC Partners receive your request for appeal to the independent third party. The decision of the independent third party is final and binding.

Exhaustion of the Appeals Process
Once you have exhausted this appeals process, you may seek judicial review of a final denial of eligibility for benefits or a claim. Please see the Limits on Legal Actions subsection of the General Provisions section of the Benefit Booklet for more information.

Payment of Benefits
All benefits for the FLTCIP will be paid in United States currency. These benefits will be paid directly to you unless you have completed an assignment of benefits. You may not assign benefits to any provider outside the United States, its territories and possessions. If you have a Comprehensive plan, LTC Partners will determine, at its sole discretion, whether to honor assignments to informal caregivers. You may not assign benefits prior to a claim.

Benefit Changes
You may request an increase (upgrade) or decrease (downgrade) in your coverage by writing to LTC Partners or calling them at 1-800-LTC-FEDS (1-800-582-3337) (TTY: 1-800-843-3557). In order to receive approval of a request for an increase, you must provide, at your expense, evidence of your good health that is satisfactory to LTC Partners. You do not have to provide evidence of your good health for a decrease. The amount of an increase or decrease will be subject to Federal Program options available at the time of your request.

Continuation of Coverage
If the group policy under the FLTCIP ends, OPM intends to continue your insurance coverage by replacing the existing group policy with another one that will:

- be effective on the day after the group policy ends;
- 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, LTC Partners will continue your coverage.

Reinstatement of Coverage
If your coverage ends because you did not pay your premium when due, your coverage will be reinstated as of the date it ended if, within 6 months of the date your coverage ended, you or your representative:

- submits evidence satisfactory to LTC Partners that you suffered a cognitive impairment or loss of functional capacity before expiration of the 30-day grace period for payment of your premium (the standard of proof LTC Partners will require will be no more restrictive than the requirements to establish eligibility for benefits); and
- submit all past due premiums.

If your coverage ends because you canceled it or did not pay your premium when due, your coverage will be reinstated as of the date it ended, if within 12 months of the date coverage ended you:

- request reinstatement; and
- submit, at your expense, evidence of your good health that is satisfactory to LTC Partners; and
- submit all past due premiums.

If your coverage is reinstated, your premium will be based on your age as if your coverage had continued without interruption.

8

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 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.

Previous Repayment by the Employee
An agency may not make a loan repayment for a student loan that was previously repaid by the employee. Student loan repayments may be paid only for outstanding student loans.

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 should not 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 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 is to 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. Examples of the loans that qualify under the student loan repayment program are as follows.

Loans made or insured under the Higher Education Act of 1965 include the following:

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 should 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.

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 includible in the employee's gross income and wages for Federal employment tax purposes. Consequently, the agency must withhold and pay employment taxes from either 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 their student loan payments to the Internal Revenue Service. They must report to the IRS the amount of student loan benefits they have provided to an employee.

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's or employee's 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.

9

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 2007 and 2008.

Annual Leave

An employee may use annual leave for 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:

- Senior Foreign Service;
- Defense Intelligence Senior Executive Service;
- Senior Cryptologic Executive Service;
- Federal Bureau of Investigation Senior Executive Service;
- Drug Enforcement Administration Senior Executive Service;
- 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;
- 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. 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.

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 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.

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
- Nonforeign 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 recredits 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.

Annual Leave to Establish Retirement Eligibility During RIF

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.

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 advance approval for sick leave for their own or a family member's medical, dental, or optical examination or treatment.

Granting Sick Leave
An agency may grant sick leave only when supported by evidence administratively acceptable by the agency. 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.

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 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 as a result of medical, dental, or optical examination or treatment; or
- make arrangements necessitated by the death of a family member or attend the funeral of a family member.

A covered full-time employee may use up to 104 hours (13 workdays) of sick leave each leave year for these purposes.

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 purporses.

"Family member" 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.

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" 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. (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 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.

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.

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 a current 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 1 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.

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 1 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 nonpay 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.

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 Member
To become and remain a leave bank member, an employee must donate each leave year not less than the amount of annual leave he or she normally accrues in a pay period (i.e., 4, 6, or 8 hours).

Leave Recipient
A potential leave recipient's employing agency must determine that the full-time employee's absence from duty without available paid leave because of the medical emergency is (or is expected to be) at least 24 hours. For part-time employees or employees on uncommon tours of duty, the period of absence without paid leave is prorated. An employee may receive donated annual leave when he or she becomes an approved leave recipient.

Minimum and Maximum Limitations on Leave Donations
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. For employees with "use or lose" annual leave, the employee 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 the employee is scheduled to work and receive pay.

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 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.

Emergency Leave Transfer Program
In the event of major disasters or emergencies declared by the President, such as floods, earthquakes, tornadoes, bombings, etc., that result in severe adverse effects for a substantial number of employees, the President may direct OPM to establish an emergency leave transfer program. Under such a program, an employee in any Executive agency may donate annual leave for transfer to employees of his or her agency or to employees of other agencies who are adversely affected by the disaster or emergency.

Holidays
The following days have been established by Congress as legal public holidays for 2008:

- New Year's Day (January 1)
- Birthday of Martin Luther King, Jr. (January 21)
- Washington's Birthday (February 18)
- Memorial Day (May 26)
- Independence Day (July 4)
- Labor Day (September 1)
- Columbus Day (October 13)
- Veterans Day (November 11)
- Thanksgiving Day (November 27)
- Christmas Day (December 25)

"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.

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. 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.

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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.

Credit Hours
Credit hours are not permitted under a CWS program.

Overtime
For full-time employees, all hours worked in excess of the established compressed work schedule are overtime 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., nonovertime hours) on that day.

Holiday Premium Pay
Holiday premium pay (equal to 100 percent of the rate of basic pay) is paid for nonovertime hours of work that fall within the hours regularly scheduled on the holiday.

Sunday Premium Pay
Sunday premium pay is paid for nonovertime work performed by full-time employees. For an employee on a CWS, Sunday premium pay is paid for the entire nonovertime regularly scheduled tour of duty that begins or ends on Sunday. It may not be paid for periods of nonwork, 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.

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.

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.

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., nonovertime 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 nonovertime hours worked, not to exceed a maximum of 8 nonovertime hours per holiday.

Sunday Premium Pay
Sunday premium pay is paid for nonovertime work performed by full-time employees only. A full-time FWS employee earns Sunday premium pay for an entire nonovertime regularly scheduled tour of duty (not to exceed 8 hours) that begins or ends on Sunday. It may not be paid for periods of nonwork, 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.

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.

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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, as with any other medical condition.

EAPs are available for employees who have alcohol and/or drug problems and who are seeking rehabilitation and the opportunity to become 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 among 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.

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Federal Employees Health Benefits Program

The Federal Employees Health Benefits (FEHB) Program is the largest employer-sponsored group health insurance program in the world, covering approximately 9 million Federal employees, retirees, former employees, family members, and former spouses. The FEHB Program offers fee-for-service plans, and their Preferred Provider Organizations, or plans offering a Point of Service (POS) product, or Health Maintenance Organizations (HMOs) if you live (or sometimes if you work) within the area serviced by the plan. This chapter covers all the aspects of the FEHB program, as well as Temporary Continuation of Coverage (TCC), which is a feature that allows certain people to temporarily continue their FEHB coverage after their regular coverage ends.

Our FREE handbook – 2008 Federal Employees Health Benefits Handbook (available at www.federalhandbooks.com) gives you much greater details on the FEHB program.

Enrolling
You can enroll in FEHB if you are:

- a permanent federal employee with a regularly scheduled tour of duty;
- a temporary employee with an appointment for longer than one year; or
- a temporary employee with an appointment limited to one year or less, and you have completed one year of current continuous employment (excluding any break in service of 5 days or less).

You are not eligible to enroll if you are an intermittent employee (you don't have a prearranged regular tour of duty) or if your position is excluded from coverage by law or regulation.

You do not have to join the FEHB program if you don't want to. You decide whether you want to participate in the FEHB Program. When you first become eligible, your human resources office will ask you to choose either to enroll or not to enroll. If you don't enroll when you first become eligible, you won't be able to enroll until Open Season or until another event permitting enrollment occurs.

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.

Learning About Participating Health Plans
Before you enroll, your human resources office will give you a copy of the most current Guide to Federal Employees Health Benefits Plans. Use that to decide which health plans you are interested in, and request those plans' brochures

from your human resources office. Read the brochures carefully to find out what each plan covers, its rules, its exclusions, and its limitations. Once you enroll, your health plan will send you an updated brochure every year that specifies changes for the upcoming year. If you want to continue your current enrollment, you don't have to do anything during Open Season. If your agency participates in Employee Express, you can make enrollment changes online during Open Season.

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 either 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 Plans Available

Two types of plans participate in the FEHB Program: fee-for-service plans and health maintenance organizations (HMOs).

Fee-for-Service Plans
These plans reimburse you or your health care provider for the cost of covered services. You may choose your own physician, hospital, and other health care providers. Most fee-for-service plans have preferred provider (PPO) arrangements. If you receive services from a preferred provider, you usually have lower out-of-pocket expenses (i.e., a smaller copayment and/or a reduced or waived deductible). All fee-for-service plans require precertification of inpatient admissions and preauthorization of certain procedures.

Fee-for-service plans include:

- The Governmentwide Service Benefit Plan, administered by the Blue Cross and Blue Shield Association on behalf of Blue Cross and Blue Shield Plans, and is open to everyone eligible to enroll under the FEHB Program.
- Plans sponsored by unions and employee organizations. Some of these plans are open to all Federal employees who hold full or associate memberships in the organizations that sponsor the plans; others are restricted to employees in certain occupational groups and/or agencies. Generally, the employee organization requires a membership fee or dues paid directly to the employee organization, in addition to the premium. This fee is set by the employee organization and is not negotiated with OPM.

Health Maintenance Organizations
Health Maintenance Organizations (HMOs) provide or arrange for comprehensive health care services on a prepaid basis through designated plan physicians, hospitals, and other providers in particular locations. Each HMO sets a geographic area for which health care services will be available, called its service area. This area is described in the plan's brochure. You may join a particular HMO if you live within its service area. Some plans also accept enrollments from employees who work in the area even though they live elsewhere. If you have questions about whether you live or work within a HMO's service area, you should contact the plan before you enroll in it.

Generally, you must choose a primary care physician and have all care coordinated through that physician. Your physician is responsible for obtaining any pre-certification required for inpatient admissions or other procedures.

The three types of HMOs are:

- Group Practice Plans. These plans provide care through groups of physicians who practice at medical centers.
- Individual Practice Plans. These plans provide care through participating physicians who practice in their own offices.
- Mixed Model Plans. These plans are a combination of Group Practice and Individual Practice plans.

Point of Service
Some fee-for-service plans and HMOs offer a point of service product. This gives you the choice of using a designated network of providers or using non-network providers at an additional cost to you. If you don't use network providers, you must pay substantial deductibles, coinsurance, and copayments.

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: (1) your legally adopted child; (2) 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; (3) your stepchild, if you live together in a parent-child relationship; (4) your foster child, if you live together in a parent-child relationship and you expect to raise the child to adulthood; and (5) 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 your self 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; 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;
- birth or adoption of a child;
- acquisition of a foster child;
- divorce.

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; and
- a pay period during any part of which you were in pay status. (This pay status requirement doesn't apply to a change from self only to self and family.)

However, 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 also 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).
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).

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; 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

- For 30 days or Less – 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.

- For 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
- are not otherwise eligible for continued coverage under the Program (not counting the 31-day extension of coverage).

Electing Temporary Continuation of Coverage
If you are a separating employee, you must submit your Temporary Continuation of Coverage (TCC) election to your employing office within 60 days after the date of your separation or 65 days after the date of your employing office's notice, whichever is later.

You may choose self only or self and family coverage in any plan or option that 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 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 or she loses coverage.

Electing TCC for Family Members
You must notify your human resources office or retirement system within 60 days from the date that your family member loses eligibility under your enrollment. (If you are divorcing, your former spouse may notify your human resources office on his or her own behalf.) Within 14 days, your human resources office will send your family member notice of his or her own TCC rights.

If your family member wants TCC, he or she must elect it within 60 days after the date of separation or 65 days after the date of your employing office's notice, whichever is later.

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 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 (including when 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
Your 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.

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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.

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.

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.

If 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. Click on www.opm.gov/insure/life/em_rates.asp to see the rates for Optional insurance. 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.