

# WAEPA GUIDE

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## Federal Benefits Guide



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## Federal Benefits Guide

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The Federal Benefits Guide  
is presented by:



The goal of WAEPA is to provide access to products and services that promote the health, welfare, and financial well-being of its members.

WAEPA – A Non-Profit association formed in 1943, governed by Federal Employees, just like you, to serve the Federal community.

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# Introduction

Over 9 million current and former Federal Employees (and their families) rely on benefits, of one kind or another, from the Federal Government. With so many rules and regulations covering benefits – for so many people – we thought we'd put together this guide – WAEPA's **Federal Benefits Guide**. It will help you understand your federal benefits and will become, we are sure, a handy reference tool.

Since 1943, over 100,000 Civilian Federal Employees and their dependents have been insured by Worldwide Assurance for Employees of Public Agencies (WAEPA). WAEPA is a non-profit association (not an insurance company). Today, over 46,000 Federal Employees and their dependents currently belong to WAEPA.

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Just a few of the many reasons over 46,000 current Federal Employees and their dependents now use WAEPA:

- More coverage options for you the federal employee. WAEPA offers coverage from \$25,000 up to \$1.5 million. You choose the right amount of coverage to meet your individual needs – you are not limited by the amount of your annual salary.
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We hope that you find this **Federal Benefits Guide** helpful. If you have any questions about WAEPA's Group Term Life Insurance coverage, please feel free to call us at **(800) 368-3484** or visit our website at [waepa.org](http://waepa.org).

# Federal Pay

## Overview of the Federal Pay Systems

The Federal government pay system is comprised of 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. Each of these systems and schedules are explained in greater detail below. Although there are other pay and schedules systems (Veterans Health Administration, Foreign Service Schedule, etc. they are not covered in this WAEPA Guide.)

### Locality Pay

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 New York City, the New York City employee will end up earning more annually because of locality pay. Locality pay is, in essence, the Federal government's way of acknowledging that in many geographic areas Federal employees are paid less than they would be paid in the private sector for a comparable position, and therefore locality pay is added to make up for part of the difference. Locality pay is not paid to employees overseas, or to those in Hawaii,

Guam, US Virgin Islands, Alaska or Puerto Rico.

### Executive Schedule

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

Congressional and Federal judicial salaries are also related to the Executive Schedule pay system, with most Members of Congress and Federal district court judges receiving Level II pay. (The Congressional majority and minority leaders

and the Speaker of the House earn more than the Members of Congress and Senators who are not serving in leadership roles.)

### Senior Executive Service

The typical compensation package for career senior executives includes salary and awards. Additionally, SES members enjoy a benefits package (see WAEPA Senior Executive Service Guide for more details.)

### Salary

The National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136, November 24, 2003) established a performance-based pay system for members of the Senior Executive Service. The SES pay range has a minimum rate of basic pay equal to 120% of the rate for GS-15, step 1, and the maximum rate of basic pay is equal to the rate for Level III of the Executive Schedule. However, for any agency certified under 5 U.S.C. 5307(d) as having a performance appraisal system which, as designed and applied, makes meaningful distinctions based on relative performance, the maximum rate of basic pay will be the rate for Level II of the Executive Schedule.

The minimum rate of basic pay for SES members is currently at \$124,406. The applicable

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# Federal Pay

## *Continued*

maximum rate of basic pay for the SES will continue to be \$187,000 for SES members covered by a certified SES performance appraisal system and \$172,100 for SES members covered by an SES performance appraisal system that has not been certified.

### **Awards**

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

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

Retention of SES benefits: Career SES members who, without a break in service, accept a Presidential appointment to an Executive Schedule position (or a position

whose pay is set by reference to an Executive Schedule rate) may elect to retain SES benefits (e.g., pay, leave, performance awards and Presidential Rank Award eligibility).

### **General Schedule**

Most Federal employees fall under the "General Schedule" or "GS" pay scale. The General Schedule is the pay scale for professional or "white collar" employees, and is comprised of 15 "grades." The lowest grade is 1, and the highest is 15. Each grade has 10 "steps." Employees advance from one grade to another as they are promoted and their responsibilities increase. Employees move to higher steps within their grade level based on the length of their tenure and acceptable job performance. Advancement to either a higher grade or step means an increase in pay. Because within-grade, or step increases are based in part on an employee's tenure, there are waiting periods before an employee can move to the next higher step. Before an employee can move to a step 2, 3, or 4, the employee must wait 52 weeks (1 year). To move to a step 5, 6, or 7, the employee must wait 104 weeks (2 years). And to be advanced to a step 8, 9, or 10, the employee is required to wait 156 weeks (3 years). Pay raises for the General Schedule are determined annually each year by Congress and the President. Once the pay increase is set by law, the amount is allocated by the

President between base pay and locality pay.

### **Federal Wage System**

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

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

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

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# Federal Pay

*Continued*

## **Biweekly Caps on Premium Pay**

Under 5 U.S.C. 5547(a) and 5 CFR 550.105, General Schedule (GS) employees and other covered employees may receive certain types of premium pay for a biweekly pay period only to the extent that the sum of basic pay and premium pay for the pay period does not exceed the greater of the biweekly rate payable for (1) GS-15, step 10 (including any applicable locality payment or special rate supplement), or (2) the rate payable for level V of the Executive Schedule. The biweekly rate is computed by (1) dividing the applicable annual rate by 2,087 hours, (2) rounding the resulting hourly rate to the nearest cent, and (3) multiplying the hourly rate by 80 hours. For example, in Atlanta, GA, the GS-15, step 10, annual locality rate of \$166,500 divided by 2,087 hours yields an hourly rate of \$79.78 and a biweekly rate of \$6,382.40 (\$79.78 x 80 hours). Similarly, the Executive Schedule level V annual rate of \$156,000 divided by 2,087 hours yields an hourly rate of \$74.75 and a biweekly rate of \$5,980.00 (\$74.75 x 80 hours).

## **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% nor more than 25%, 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% rate is authorized for a position that requires an average of over 9 hours per week of irregular or occasional overtime work. Agency reviews of the percentage of AUO pay paid to employees must be conducted "at appropriate intervals" and OPM recommends that such reviews be completed every 3 to 6 months by Federal agencies. If the results of these reviews indicate that the employee is not receiving AUO pay in accordance with the law and regulations, the percentage of annual premium pay must be revised or, if appropriate, AUO pay must be discontinued.

### *Temporary Assignments and Absence on Paid Leave*

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

- For a period of not more than 10 consecutive prescribed workdays on a temporary assignment to duties which do not warrant annual premium pay, and for a total of not more than 30 workdays in a calendar year while on temporary assignment; or
- For an aggregate of not more than 60 prescribed workdays on temporary assignment to a formally approved program for



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# Federal Pay

## *Continued*

advanced training, directly related to the duties warranting premium pay.

- An employee may not be paid premium pay in excess of 60 days a year for the situations noted above combined.
- If an employee is already receiving annual premium pay when authorized leave with pay, annual premium pay will be continued for the period the employee is on leave so long as the criteria under which the premium pay was authorized continue to be met.

### ***Call-Back Overtime***

- Call-back overtime applies to General Schedule, FP, and Federal Wage System exempt and non-exempt employees.
- Call-back overtime work is irregular or occasional overtime work performed by an employee on a day when no work is scheduled 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 non-overtime hours of the employee's regular daily tour up to 8, except that an employee on a compressed work schedule may be paid call-back not to exceed the non-overtime hours of his/her tour.

An employee who is called back on a holiday would seem to have a dual pay entitlement, i.e., under 5 U.S.C. 5546 (two hours holiday call-back) and 5 U.S.C. 5542 (two hours regular call-back). However, for pay purposes, the entitlements are said to be coextensive, i.e., the employee's minimum entitlement (ME) is limited to two hours, not four, when call-back is performed on a holiday and the entire period of call-back does not exceed two hours.

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

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# Federal Pay

## Continued

### Coextensive Entitlements

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

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

### 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.

### Employee Coverage

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

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

### Mandatory

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

### Time Limits

#### FLSA-Exempt Employees

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

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

Receive payment for the unused compensatory time off at the overtime rate in effect when earned or

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

#### FLSA-Nonexempt Employees

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

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## Federal Pay

### *Continued*

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

#### ***Separation or Leave without Pay Status Due to Service in the Uniform Service or On-The-Job Injury***

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

#### ***Compensatory Time off to an Employee's Credit as of May 14, 2007***

Compensatory time off to an employee's credit as of May 14, 2007 must be used by the end of the pay period ending 3 years after May 14, 2007. If the earned compensatory time off is not taken by the end of the pay period ending 3 years after

May 14, 2007, the employee must be paid for overtime work at the dollar value prescribed in paragraph (g) of this section.

#### ***Amount***

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

#### ***Compensatory Time Off for Travel***

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

#### ***Employee Coverage***

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

#### ***Compensable***

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

#### ***Creditable Travel***

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

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

- Time spent traveling between the official duty station and a temporary duty station;
- Time spent traveling between two temporary duty stations; and
- The "usual waiting time" preceding or interrupting such travel (e.g., waiting at an airport or train station prior to departure). The employing agency has the sole and exclusive discretion

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# Federal Pay

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to determine what is creditable as “usual waiting time.” An “extended” waiting period—i.e., an unusually long wait during which the employee is free to rest, sleep, or otherwise use the time for his or her own purposes—is not considered time in a travel status.

### *Commuting Time*

- Travel outside of regular working hours between an employee’s home and a temporary duty station or transportation terminal outside the limits of his or her official duty station is considered creditable travel time. However, the agency must deduct the employee’s normal home-to-work/work-to-home commuting time from the creditable travel time.
- Travel outside of regular working hours between a worksite and a transportation terminal is creditable travel time, and no commuting time offset applies.
- Travel outside of regular working hours to or from a transportation terminal within the limits of the employee’s official duty station is considered equivalent to commuting time and is not creditable travel time.

### *Crediting and Use*

Compensatory time off for travel is credited and used in

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

### *Forfeiture*

Compensatory time off for travel is forfeited:

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

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

### *Limitations*

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

### *Meal Periods*

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

### *Once an Employee Reaches a Temporary Duty Station*

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

### *Offsetting Creditable Time by Normal Commuting Time*

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

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## Federal Pay

### *Continued*

terminal (e.g., an airport or train station) outside the limits of the employee's official duty station.

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

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

#### ***Travel from a Worksite to a Transportation Terminal***

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

#### ***Earning and Crediting Compensatory Time Off for Travel***

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

#### ***Lump-Sum Payments***

If an employee has accrued

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

#### ***Transferring to Another Agency***

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

#### ***Employee Moves to a Non-Covered Position***

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

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

Compensatory time off for travel is earned only for hours that are not otherwise compensable. The term "compensable" is defined in 5 CFR 550.1403 to include any hours of a type that

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

#### ***Environmental Differential Pay***

Environmental differential pay applies only to Federal Wage System (FWS) employees. This type of pay is paid to FWS employees who are exposed to job-related hazards, physical hardships, or unusually severe working conditions.

The amount of environmental differential pay that can be paid to an employee is determined by multiplying the rate authorized in Appendix A for the described exposure by the rate for WG-10, step 2 for the appropriated fund employees and NA-10 for the non-appropriated fund employees, on the current regular non-supervisory wage schedule for the wage area for which the differential is payable. One-half cent or over shall count as a full cent. The resulting cents-an-hour amount shall be paid uniformly to each eligible FWS employee, regardless of the



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## Federal Pay

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grade level of the employee or the FWS wage schedule on which the employee is paid.

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

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

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

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

environmental differential on the basis of actual exposure for that exposure, and environmental differential on the basis of the shift for the remaining hours in the pay status that day.

#### ***Additions to the Schedule of Differentials***

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

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

#### ***Relationship to Other Pay***

Environmental differential is included as part of the employee's basic rate of pay and must be used to compute

premium pay for overtime, holiday, or Sunday work, the amount from which retirement deductions are made, and the amount on which group life insurance is based.

#### ***Effect of Excused Absence and Leave***

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

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

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

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

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

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# Federal Pay

## *Continued*

### ***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.

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

Evacuation payments may be made to cover a total of up to 180 calendar days (including the number of days for which payment has already been made) when

employees continue to be prevented from performing their duties by an evacuation order. When feasible, evacuation payments must be paid on the employee’s regular paydays.

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

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

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

### **Hazardous Duty Pay**

Hazardous duty pay is additional pay for the performance of hazardous duty or duty involving physical hardship. General Schedule (GS) employees receive hazardous duty pay if their job duties cause extreme physical discomfort or distress, which is not adequately alleviated

by protective or mechanical devices. For example, duty that involves exposure to extreme temperatures for a long period of time, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation will require that an agency provide hazardous duty pay.

Hazardous duty pay is similar to environmental differential pay. However, hazardous duty pay applies to GS employees, while environmental differential pay applies to FWS employees.

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

To review the hazard pay differentials schedule, see Appendix A of 5 CFR part 550, subpart I [Click Here](#). 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.

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## Federal Pay

*Continued*

### ***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% of his or her rate of basic pay. However, employees do not receive this kind of pay just for the actual hours that they are performing hazardous duties. When an employee performs a duty for which a hazard pay differential is authorized, the agency must pay the hazard pay differential for all of the hours in which the employee is in a pay status on the day on which the duty is performed.

### ***Hazardous Duty Pay during Overtime Hours***

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

### ***Hazardous Duty Pay during Hours of Paid Leave***

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

### ***Hazardous Duty Pay during Periods of Leave Without Pay***

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

### ***Subject to the Aggregate Limitation on Pay***

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

### ***Holiday Premium Pay***

For each hour of holiday work, employees receive holiday premium pay. Holiday premium pay is equal to an employee's rate of basic pay. Employees who are required to work on a holiday receive their rate of basic pay, plus holiday premium pay, for each hour of holiday work. Employees

who are required to perform any work during basic (non-overtime) holiday hours, are entitled to a minimum of 2 hours of holiday premium pay.

### ***Standard Work Schedules***

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

### ***Flexible Work Schedules***

Employees under flexible work schedules are entitled to holiday premium pay if they are required to work during the hours of their "basic work requirement" (i.e., non-overtime hours) on that day, not to exceed 8 hours. In the event the President issues an Executive Order granting a "half-day" holiday, part-time employees on a flexible work schedule are entitled to holiday premium pay if they are required to work during the last half of their basic work requirement (i.e., non-overtime hours) on that day, not to exceed 4 hours.

### ***Compressed Work Schedules***

Employees under compressed work schedules are entitled to holiday premium pay if they are required to work during their basic work requirement on that day. The number of hours of holiday premium pay may not exceed the hours in an employee's compressed work schedule for that day (e.g., 8,



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## Federal Pay

### *Continued*

9, or 10 non-overtime hours). In the event the President issues an Executive Order granting a “half-day” holiday, part-time employees on a compressed work schedule are entitled to holiday premium pay if they are required to work during the last half of their basic work requirement (i.e., non-overtime hours) on that day.

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

#### ***Law Enforcement Availability Pay***

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

#### ***Employee Coverage***

Eligibility for availability pay is limited to criminal investigators who are properly classified in the GS-1811 (Criminal Investigations) and GS-1812 (Game Law Enforcement) series under Office of Personnel Management standards, and to pilots employed by the U.S.

Customs Service. Availability pay will be extended to Special Agents in the Diplomatic Security Service when implementing regulations are effective. Employees in these groups must also meet the definition of “law enforcement officer” in 5 U.S.C. 5541(3) and 5 CFR 550.103, which generally requires that the employee be covered under the early retirement provisions for LEOs. However, a criminal investigator is also entitled to availability pay if he or she holds a supervisory or administrative position that has been officially approved as a “secondary position” under the LEO retirement provisions, even if the criminal investigator is not personally covered by those provisions.

#### ***Rate***

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

#### ***Unscheduled Duty***

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

#### ***Annual Certification***

Each criminal investigator and the designated supervisory officer shall make an initial, and thereafter, annual certification to the head of the agency attesting that the investigator (1) currently meets the “substantial hours requirement” (unless it is the initial certification) and (2) is expected to meet the requirement during the upcoming 1 year period.

#### ***Substantial Hours Requirement***

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

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# Federal Pay

## *Continued*

### ***Regular Workday***

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.

### ***Other Premium Pay***

An Agency May Not Pay a Criminal Investigator Receiving Availability Pay:

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

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

### ***Title 5 Overtime Pay***

For employees receiving availability pay, Title 5 overtime pay is authorized only for overtime work scheduled in

advance of the administrative workweek that is either in excess of 10 hours on a day containing part of the basic 40- hour workweek or on a day that does not include part of the basic 40-hour workweek. However, a criminal investigator receiving availability pay may not be paid any other premium pay based on unscheduled duty hours.

### ***Suspension***

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

### ***Night Pay***

Night pay is a 10% differential paid to an employee for regularly scheduled work performed at night. It is computed as a percentage of the employee’s rate of basic pay (including any applicable locality payment or special rate supplement).

### ***Employee Coverage***

An individual who meets the definition of “employee” in 5 U.S.C. 5541(2) is covered by the night pay provisions, including employees under the General Schedule. Prevailing rate (wage) employees are covered by a separate night shift differential authority.

### ***Regularly Scheduled Work***

Night pay is paid for regularly

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

### ***Night Work Hours***

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

### ***Relationship to Other Premium Pay***

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

### ***Flexible Work Schedules***

If a flexible work schedule includes 8 or more hours

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## Federal Pay

### *Continued*

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

- Locality-based comparability payments,
- Special pay adjustments for law enforcement officers, and
- Continued rates of pay

#### **Non-Foreign Area Cost-of-Living Allowances (COLAs)**

The U.S. Government pays cost-of-living allowances (COLAs) to white-collar civilian Federal employees in Alaska, Hawaii, Guam and the

Commonwealth of the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. Approximately 49,000 employees, including U.S. Postal Service employees, receive these non-foreign area COLAs.

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

The Nonforeign Area Retirement Equity Assurance Act (the Act) as contained in subtitle B (sections 1911-1919) of title XIX of the National Defense Authorization Act (NDAA) for Fiscal Year 2010 (Public Law 111-84, October 28, 2009) transitions the nonforeign area cost-of-living allowance (COLA) authorized under 5 U.S.C. 5941(a)(1) to locality pay authorized under 5 U.S.C. 5304 in the nonforeign areas as listed in 5 CFR 591.205. The Act also extends locality pay to American Samoa and other nonforeign territories and possessions of the United States where no COLA rate applies.

#### **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**

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.

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# Federal Pay

## *Continued*

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.

### ***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).

### ***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.

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## Federal Pay

### *Continued*

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:

- Standby duty pay under 5 U.S.C. 5545(c)(1);
- Administratively uncontrollable overtime pay under 5 U.S.C. 5545(c)(2);
- Availability pay for criminal investigators under 5 U.S.C. 5545a; and
- 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% 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% of his or her rate of basic pay for work performed during a regularly scheduled basic 8-hour tour of duty that begins or ends on a Sunday. Sunday premium pay is not paid for overtime hours of work.

### ***Employee Coverage***

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

### ***Entitlement***

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

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

**Compressed Work Schedule**—An employee under a compressed work schedule is entitled to Sunday premium pay for all non-overtime hours



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## Federal Pay

### *Continued*

the employee works during each regularly scheduled basic tour of duty that begins or ends on Sunday.

#### ***Two Tours of Duty on Sunday***

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

#### ***Relationship to Overtime Pay***

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

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

**Compressed Work Schedule**—An employee whose compressed work schedule includes work on Sunday is entitled to overtime pay for

hours of work in excess of the employee's compressed work schedule on that day.

#### ***Relationship to GS Night Pay***

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

#### ***Relationship to Holiday Premium Pay***

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

#### ***No Compounding of Premium Pay***

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

#### ***Paid Leave, Excused Absence, and Holidays on Sunday***

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

#### ***Payment for Actual Work***

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

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# Federal Pay

## *Continued*

### ***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**

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 (except career SES 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; those expected to receive an appointment as an agency head; or SES limited term appointees or SES limited emergency appointees when the appointment must be cleared through the White House Office of Presidential Personnel.

### ***Definition of “Newly Appointed”***

Recruitment incentives may be paid to an employee who is newly appointed to the Federal government. “Newly appointed” refers to the first appointment (regardless of tenure) as an employee of the Federal government, an appointment following a break in service of at least 90 days from a previous appointment as an employee of the Federal government, or, in certain cases, an appointment following a break in service of less than 90 days from a previous appointment as an employee of the Federal

government. (See the definition of “newly appointed” at 5 CFR 575.102.)

### ***Agency Plan***

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

### ***Approval Criteria***

For each determination to pay a recruitment incentive, an agency must document in writing the basis for determining that the position is likely to be difficult to fill in the absence of a recruitment incentive,

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## Federal Pay

### *Continued*

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. The authorized agency official must review and approve the recruitment incentive determination before the agency pays the incentive to the employee. 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. Agencies must review each decision to authorize a recruitment incentive for a group of similar positions at least annually to determine whether the

positions are still likely to be difficult to fill.

#### ***Payment***

A recruitment incentive may not exceed 25% 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% (based on a critical agency need), as long as the total incentive does not exceed 100% 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. An agency may not commence a recruitment incentive service agreement while an employee receives retention incentive payments without a service agreement or during the service period established by an employee's relocation or retention incentive service agreement.



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# Federal Pay

## *Continued*

### ***Service Period***

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

### ***Termination of a Service Agreement – Discretionary***

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

### ***Termination of a Service Agreement– Mandatory***

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

must repay any portion of the incentive attributable to uncompleted service. The agency is not obligated to pay the employee any outstanding incentive payment attributable to completed service unless such payment was required under the terms of the recruitment incentive service agreement. The full amount of the authorized recruitment incentive must be prorated across the length of the service period to determine the amount attributable to completed service and uncompleted service.

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

### **Relocation Incentives**

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***

A relocation incentive may not be paid to Presidential appointees (except career SES 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; those expected to receive an appointment as an agency head; or SES limited term appointees or SES limited emergency appointees when the appointment must be cleared through the White House Office of Presidential Personnel.

### ***Relocation to Different Geographic Area***

Relocation incentives may be paid to an employee who:

- Must relocate to a different geographic area (permanently or temporarily) to accept a covered position in an agency when the position is likely to be difficult to fill; and

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## Federal Pay

### *Continued*

- Is an employee of the Federal government immediately before the relocation? (See 5 CFR 575.205(a).)

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

An employee receiving a relocation incentive may establish a residence in the new geographic location in several ways, including but not limited to—

- Purchasing or renting of a home, apartment, or condominium;
- Residing at a residence of a friend or family member; or
- Temporarily residing at a hotel.

The employee does not need to terminate an existing residence nor physically move

his or her family, household, goods, etc. to the residence in the new geographical location in order to receive a relocation incentive. For example, the employee could retain a residence of record in a different geographic area and live in the new duty location during the work week.

#### ***Maintaining a Residence in the New Geographic Location***

In addition to establishing a residence in the new geographic location before the payment of a relocation incentive, an employee must maintain a residence in the new geographic location for the duration of the service agreement. A relocation incentive will be terminated for employees who fail to maintain a residence throughout the service agreement in the new geographic location. Periodically throughout the service agreement, employees may be required to provide proof of residence. Examples of proof of residence include a lease, proof of purchasing property, utility bill, or a similar document to ensure the employee still resides in the new location.

#### ***Agency Plan***

Before paying a relocation incentive, an agency must establish a relocation incentive plan. The plan must include the designation of officials with authority to review and approve the payment of relocation incentives, the designation of officials with authority

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

#### ***Approval Criteria***

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

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## Federal Pay

### *Continued*

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% 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% (based on a critical agency need), as long as the total incentive does not exceed 100% of the employee's annual rate of basic pay at the beginning of the service period. (See 5 CFR 575.209(c).) The incentive may be paid as an initial lump-sum payment at the beginning of the service period, in installments throughout the service period, as a final lump-sum payment upon completion of the service period, or in a combination of these methods. The agency may not pay a relocation incentive until the employee establishes a residence in the new geographic area.

#### ***Rate of Basic Pay***

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

#### ***Aggregate Pay Limitation***

Payment of a relocation incentive is subject to the

aggregate limitation on pay under 5 CFR part 530, subpart B.

#### ***Service Agreement***

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

An agency may not commence a relocation incentive service agreement during a service period established by an employee's recruitment incentive service agreement or previously authorized relocation incentive service agreement. An agency may commence a relocation incentive service agreement during a service period established by an employee's previously authorized retention incentive service agreement or while an employee receives previously authorized retention incentive

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# Federal Pay

## *Continued*

payments without a service agreement.

### ***Service Period***

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

### ***Termination of a Service Agreement—Discretionary***

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

### ***Termination of a Service Agreement—Mandatory***

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

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

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

### **Retention Incentives (likely to leave the Federal service)**

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 (except career SES 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; those expected to receive an appointment as an agency head; or SES limited term appointees or SES limited emergency appointees when the appointment must be cleared through the White House Office of Presidential Personnel.

### ***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

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## Federal Pay

### *Continued*

would be likely to leave the Federal service, requirements for determining the amount of a retention incentive, the payment methods that may be authorized, requirements governing service agreements (including criteria for determining the length of a service period, the conditions for terminating a service agreement, the obligations of the agency and the employee if a service agreement is terminated, and the conditions for terminating retention incentive payments when no service agreement is required), and documentation and recordkeeping requirements. Unless the head of the agency determines otherwise, an agency retention incentive plan must apply uniformly across the agency.

#### ***Approval Criteria***

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

service period. The authorized agency official must review and approve the retention incentive determination before the agency pays the incentive to the employee.

#### ***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 (except career SES 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; those expected to receive an appointment as an agency head; or SES limited term appointees or SES limited emergency appointees when the appointment must be cleared through the White House Office of Presidential Personnel.

#### ***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



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## Federal Pay

### *Continued*

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

#### ***Payment***

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

payment may be computed at the full retention incentive percentage rate or at a reduced rate with the excess deferred for payment at the end of the full-service period. Explanations of how to compute retention incentive installment payments may be found at 5 CFR 575.309(c) and (d), and in the guidance at [Click Here](#).

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

#### ***Groups of Employees***

An agency may pay a retention incentive of up to 10 percent of basic pay (or up to 50 percent with OPM approval, based on a critical agency need) to an eligible group or category of employees if the agency determines that the unusually high or unique qualifications of the group or a special need of the agency for the employees'

services makes it essential to retain the employees and that there is a high risk that a significant number of employees in the group would leave the Federal service in the absence of a retention incentive. (See the Group Retention Incentives (likely to leave the Federal service in the following section 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

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## Federal Pay

### *Continued*

retention incentive percentage rate established for the employee, the method and timing of incentive payments, the conditions under which an agreement will be terminated by the agency, any agency obligations if a service agreement is terminated (including the conditions under which the agency must make an additional payment for partially completed service), and any other terms and conditions for receiving and retaining retention incentives. A written service agreement is not required if the agency pays the retention incentive in biweekly installments and sets the biweekly installment payment at the full retention incentive percentage rate established for the employee. (See 5 CFR 575.310(f).)

#### **Continuation, Reduction, or Termination of a Retention Incentive**

##### *Discretionary*

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

##### *Mandatory*

An agency must terminate a retention incentive service

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

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

An explanation of how to

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

#### ***When No Service Agreement Is Required***

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

An agency must notify an employee in writing when it terminates a retention service

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# Federal Pay

## *Continued*

agreement or a retention incentive when no service agreement is required. Termination or reduction of a retention incentive is not grievable or appealable.

### **Group Retention Incentives (likely to leave the Federal Service)**

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

### ***Covered Positions***

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

### ***Excluded Positions***

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

### ***Agency Plan***

Before paying a retention incentive, an agency must establish a retention incentive plan. The plan must include the designation of officials with authority to review and approve the payment of retention incentives, the categories of employees who may not receive retention incentives, the required documentation for determining that an employee would be likely to leave the Federal service, requirements for determining the amount of a retention incentive, the payment methods that may be authorized, requirements governing service agreements (including criteria for determining the length of a service period, the conditions

for terminating a service agreement, the obligations of the agency if a service agreement is terminated, and the conditions for terminating retention incentive payments when no service agreement is required), and documentation and recordkeeping requirements. Unless the head of the agency determines otherwise, an agency retention incentive plan must apply uniformly across the agency.

### ***Approval Criteria***

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



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# Federal Pay

## Continued

### *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%. With OPM approval, this cap may be increased to 50% (based on a critical agency need). (See 5 CFR 575.309(e).) See the Retention Incentives (likely to leave the Federal service) fact sheet for additional information on payment options and calculations. (Also, explanations of how to compute retention incentive installment payments may be found at

5 CFR 575.309(c) and in the Retention Incentive Payment and Termination Calculations guidance.) [Click Here](#).

### *Other Provisions*

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

### **Retention Incentive Payment and Termination Calculations**

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

- The agency determines that the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee and that the employee would be likely to leave the Federal service in the absence of an incentive; or
- The agency has a special need for the employee's services that makes it essential to retain the

employee in his or her current position during a period of time before the closure or relocation of the employee's office, facility, activity, or organization and the employee would be likely to leave for a different position in the Federal service in the absence of a retention incentive.

An agency may authorize a retention incentive for an individual employee or a group or category of employees.

### *Payment Options*

A retention incentive may be paid:

- In installments after the completion of specified periods of service during the course of the full-service period (biweekly, monthly, quarterly, etc.); or
- As a single lump-sum payment after the completion of the full period of service required by a service agreement.
- An agency may not pay a retention incentive as an initial lump-sum payment at the start of a service period or in advance of fulfilling the service or installment period for which the incentive is being paid.

### *Payment Calculation*

An agency must establish a retention incentive rate for each individual or group retention incentive authorization,

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## Federal Pay

### *Continued*

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

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

service agreement.

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

#### ***Rate of Basic Pay***

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

#### **Severance Pay**

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

#### ***Eligibility for Severance Pay***

To be eligible for severance

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

#### ***Ineligibility for Severance Pay***

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

#### ***Qualifying Appointments***

The following appointments are qualifying appointments for severance pay eligibility:

- A career or career-conditional appointment in the competitive service or the equivalent in the excepted service;

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## Federal Pay

### *Continued*

- A career appointment in the Senior Executive Service;
  - An excepted appointment without time limitation, except under Schedule C or an equivalent appointment made for similar purposes;
  - An overseas limited appointment without time limitation;
  - A status quo appointment, including one that becomes indefinite when the employee is promoted, demoted, or reassigned;
  - A time-limited appointment in the Foreign Service, when the employee was assigned under a statutory authority that carried entitlement to reemployment in the same agency, but this right of reemployment has expired; and
  - A time-limited appointment (or series of time-limited appointments by the same agency without any breaks in service) for full-time employment that takes effect within 3 calendar days after the end of a qualifying appointment.
- An appointment in which the employee has an intermittent work schedule;
  - A Presidential appointment;
  - An emergency appointment;
  - An excepted appointment under Schedule C or an equivalent appointment made for similar purposes;
  - A non-career appointment in the Senior Executive Service or an equivalent appointment made for similar purposes; and
  - A time-limited appointment (except for a time-limited appointment that is qualifying because it is made effective within 3 calendar days after separation from a qualifying appointment), including:
    - A term appointment;
    - An overseas limited appointment with a time limitation;
    - A limited term or limited emergency appointment in the Senior Executive Service, as defined in 5 U.S.C. 3132(a), or an equivalent appointment made for similar purposes;
  - A Veterans Readjustment Appointment; and
  - A Presidential Management Fellows appointment.

### *Non-Qualifying Appointments*

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

- An appointment at a non-covered agency (see the definition of agency in 5 CFR 550.703);

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

### *Resignations and Involuntary Separation*

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

- Is issued by a properly authorized agency official;
- Announces that the agency has decided to abolish, or transfer to another

### *12 Months of Continuous Employment*

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# Federal Pay

## *Continued*

commuting area, all positions in the competitive area by a particular date (no more than 1 year after the date of the notice); and

- States that, for all employees in that competitive area, a resignation following receipt of the notice constitutes an involuntary separation for severance pay purposes.

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

### ***Computation of Severance Pay Fund***

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

### ***Basic Severance Pay Allowance***

The basic severance pay allowance consists of:

- One week of pay at the rate of basic pay for the position held by the employee at the time of separation for each full year of creditable service through 10 years;
- Two weeks of pay at the rate of basic pay for the position held by the employee at the

time of separation for each full year of creditable service beyond 10 years; and

- Twenty-five percent of the otherwise applicable amount for each full 3 months of creditable service beyond the final full year.

The weekly rate of basic pay for employees with variable work schedules is determined based on the weekly average for the last position held by the employee during the 26 biweekly pay periods immediately preceding separation. The regulations at 5 CFR 550.707(b) provide specific instructions on calculating the weekly rate for various types of variable work schedules, including part-time work and seasonal work.

### ***Age Adjustment Allowance***

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

### ***Rate of Basic Pay***

“Rate of basic pay” means the rate of pay fixed by law or administrative action for the position held by the employee, including, as applicable, annual premium pay for standby duty, law enforcement availability pay, straight-time pay for regular overtime hours for firefighters, night differential for prevailing rate employees, locality payments, and special

rate supplements. Rate of basic pay does not include additional pay of any other kind. (See definition of rate of basic pay in 5 CFR 550.703.)

### ***Lifetime Limitation***

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

### ***Creditable Service for Computing Severance Pay***

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

- Civilian service as an employee, excluding time during a period of non-pay status that is not creditable for annual leave accrual purposes;
- Service performed with the United States Postal Service or the Postal Rate Commission;
- Military service, including active or inactive training with the National Guard, when performed by an employee who returns to civilian service through the exercise of a restoration right provided by law, Executive Order, or regulation;
- Service performed by an employee of a non-appropriated fund instrumentality of the Department of Defense or the Coast Guard, who moves to a position within the civil service employment

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# Federal Pay

*Continued*

system of the Department of Defense or the Coast Guard, respectively, without a break in service of more than 3 days; and

- Service performed with the government of the District of Columbia by an individual first employed by that government before October 1, 1987, excluding service as a teacher or librarian of the public schools of the District of Columbia.

## ***Accrual and Payment of Severance Pay***

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

## ***Reemployment and Termination or Suspension of Severance Pay***

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

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

the individual involuntarily.

## **Dual Compensation**

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

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

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

## ***Pay from More Than One Civilian Position***

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

- Pay on a when-actually-employed basis received from more than one consultant or expert position if the pay is not received for



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# Federal Pay

## *Continued*

the same hours of the same day.

- For normal duties.
- Pay received for positions which are paid by the Secretary of the Senate or Clerk of the House of Representatives or one of the positions under the Architect of the Capitol. (There are limitations on this exemption.)
- Pay within the purview of 13 U.S.C. 23(b), to employees engaged in the field work of the Bureau of the Census.
- Pay within the purview of 33 U.S.C. 873, to employees in connection with instrument observation or recording, the observation of tides or currents, or the tending of seismographs or magnetographs.
- Pay within the purview of 15 U.S.C. 327, to employees engaged in taking and transmitting meteorological observations.
- Pay from a Federal civilian position in addition to pay received by a member of the uniformed service while on terminal leave pending honorable release or separation.
- Pay received as an employee of the Postal Service, except as a member of the Board of the Postal Service.

***Regulatory Exceptions Under 5 U.S.C. 5533***

The OPM has exempted from the dual pay prohibition:

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

### ***Employment of Retired Members of the Uniformed Services***

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

### ***Employment of Civil Service Annuitants***

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

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

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

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## Federal Pay

### *Continued*

disability benefits or a pension, including vocational training payments.

#### ***Reemployment without Penalty to Meet Temporary Emergency Hiring Needs***

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

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

#### ***Employment of Reserves and National Guardsmen***

Employment in a civilian

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

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

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

#### ***Compensation Received by an Employee on Military Leave***

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

Employees are entitled to unlimited military leave for each day or portion thereof for participating in a parade or encampment; however, their

civilian pay will be offset by the military pay received for such service.

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

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

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

#### ***Compensation for Injury Incurred in the Line of Duty***

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

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## Federal Pay

### *Continued*

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

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

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

#### ***Prohibition of Extra Pay for Details and Extra Services***

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

An employee or member of a uniformed service whose pay

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

#### ***Reemployment of Retirees without Penalty***

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

#### ***Situations in Which a Waiver May Be Granted Emergency Hiring Need***

A waiver of the reduction in pay may be granted when appointment of the individual responds to an emergency hiring need, e.g., a military threat, a natural disaster which poses a threat to human life or property, or some other serious unexpected situation. Appointment and waiver in any of these cases will be for the period of the emergency and its immediate aftermath and no longer. Appointment of an individual to “fill behind” a person immediately and directly involved with the emergency is not a qualifying situation. An appointment solely to meet seasonal work fluctuations will not satisfy the criteria.

#### ***Severe Recruiting Difficulty***

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

#### ***Retention of a Specially Qualified Employee***

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

#### ***Requirements of Waiver Submissions***

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

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



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## Federal Pay

### *Continued*

- Certification of the head of the operating unit.

#### *Specific Requirements:*

##### *Request to meet emergency hiring needs header*

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

##### *Request Based on Severe Recruiting Difficulty*

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

qualifications, working conditions, urgency of the recruitment, etc.

##### *Request based on the retention of a specific individual*

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

##### *Extensions of Waivers*

When a waiver in the reduction of retired pay is granted, it is effective only for the individual and position for which it is

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

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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 vs. Informal Recognition Awards**

Honorary awards are generally symbolic and usually do not involve monetary recognition at all. They are a gesture of respect given to employees to recognize their performance

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

## **Coverage for Contract Employees**

An award program cannot cover both regular Federal employees and contract employees. Employees of outside contractors may not receive direct payments from the Federal government. Their employment, including pay, rewards, and discipline, must be handled by their employer—the contractor—not the Federal government. In some situations, Federal employees and contract employees work side by side as members of the same overall work teams. In such cases, it might be desirable to use procurement flexibilities to set up a parallel awards program for the contract employees, which the contractor would be required to fund and administer. Under the terms of the contract, the government could make additional payments to the contractor according to performance-related criteria specified in the contract, to provide the funds which

the contractor would then distribute to the contract employees. Setting up and operating such a program would have to conform to procurement regulations, limitations, and requirements. Personal services contracts could also be written to allow for performance-contingent payments. The key issue is that such payments to individuals, whether under personal services or non-personal services contracts, would not be made under the awards authorities in Title 5, United States Code.

## **Coverage of Both Civilian and Military Employees**

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

## **Granting an Award to a Private Citizen**

It may be possible to recognize the contributions of private citizens to the government, but it would not be done under the awards programs

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## Awards

### *Continued*

authorized by chapter 45 of Title 5, United States Code. The awards statute in Title 5 only authorizes granting awards to and recognition of Federal employees. An agency head may have other general authorizations and access to other funds for the accomplishment of the agency's mission that might be accessible for the recognition of private citizens who have made significant contributions to the completion of the agency's mission or the improvement of the government.

#### **Awards for SES Employees Under Subpart A of Part 451 of Title 5, CFR**

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

#### **Suggestion Award Programs**

Agencies are not required by law or regulation to set up suggestion award programs. OPM is aware that some agencies have redesigned and streamlined their programs to reward employee ideas and innovations, but agencies should remember that Congress established the suggestion award authority as the foundation of all

employee incentive award authorities. The program is rooted in a presumption that government-wide—not just agency-wide—benefits are to be determined and rewarded. Consequently, OPM expects agencies to extend their interdepartmental good will and cooperate when suggestions are referred to them from other agencies for evaluation and possible adoption, even if the receiving agency has curtailed formal procedures for its own employees. Agencies that have retained their existing submission and evaluation systems rightfully expect reasonable consideration of ideas their employees put forward.

#### **Performance Awards**

Performance awards are lump-sum cash awards based on ratings of record of 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

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## Awards

### *Continued*

appraisal program, agencies need to develop additional criteria for selecting employees who should receive cash performance awards and for granting awards of different amounts.

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

#### ***Rating-Based Performance Awards Subject to Approval Thresholds***

Rating-based performance awards are subject to the \$10,000 and \$25,000 approval thresholds. Under sections 4502(a) and (b) of Title 5, United States Code, and the implementing regulations, such awards always have been subject to OPM and Presidential approval, respectively. Section 4505a, of Title 5, United States Code, further restricts performance awards to no more than 10% of the employee's annual rate of basic pay, excluding any locality-based comparability payment, except that a rating-based award may exceed 10% 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% 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.
- The item must have a lasting trophy value. An honorary award that is intended to have abiding symbolic value



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## Awards

### *Continued*

loses that value if it does not have a lasting form.

- The item must clearly symbolize the employer-employee relationship in some fashion.
- The item must take an appropriate form to be used in the public sector and to be purchased with public funds.

### **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.

### **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 should 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



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## Awards

### *Continued*

value. Further questions on taxable fringe benefits should be directed to the IRS.

#### **Savings Bonds**

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

Again, the IRS considers savings bonds to be taxable on their fair market value. The cost

of a savings bond would be considered its fair market value. Further questions should be directed to the IRS.

#### **Time-Off Awards**

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

Time-off awards do not require additional funding or cash disbursement by agencies. Because the form of the award is time off from duty and it does not have explicit cash value, agencies do not have to provide additional funding or disburse additional cash. However, they do need to remember these are salary dollars being paid for time not worked, so there is a cost involved.

Agencies cannot convert time-off awards to cash under any circumstances. Agencies need to ensure employees will value, and are able to use, these awards. For example, if an agency grants a time-off award to an employee who plans to leave 2 months later, the agency cannot convert the award to cash, even though the employee might not be able to use the time-off award before leaving the agency.

OPM does not set Government wide limits on the amount of time off an employee may receive. Agencies must establish their own guidelines and limitations on how much time off is appropriate for various employee contributions. Such guidelines should also contain any timeframes within which employees must use the award, which the agency determines are appropriate.

Agencies may combine time-off awards with other forms of awards. Agencies may grant time-off awards along with other forms of awards as long as the total value of the awards given is commensurate with the contribution being recognized. For example, an employee might receive an award consisting of both a 1-day time-off award and \$50 as recognition for a single contribution as long as the combined “value” of the awards is commensurate with the employee’s contribution.

Time-off awards are among the awards prohibited for certain employees during Presidential election periods. Section 4508 of Title 5, United States Code, prohibits non-career Senior Executive Service employees or appointees in confidential or policy determining (Schedule C) positions from receiving certain awards during a Presidential election period. This period is from June 1 of any year in which there is a Presidential election through January 20 of the following calendar year.

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# Awards

## Continued

### Eligibility Criteria

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

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

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

### Individuals Not Covered by Title 5 Awards Authority

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

include the following:

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

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

### Basis for Granting Time-Off Awards

Agencies may grant time-off awards for:

- A suggestion, invention, superior accomplishment, productivity gain, or other personal effort that contributes to the efficiency, economy, or other improvement of Government operations or achieving a significant reduction in

paperwork; or

- A special act or service in the public interest in connection with or related to official employment.

### Uses of Time-Off Awards

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

### Possible Advantages of Using Time-Off Awards

Perceived to be More Equitable. Various employees can receive awards of comparable value. For example, since the "currency" for these awards is time, agencies can award the same number of hours to employees in different grades for the same, or comparable, achievements, thus eliminating any perceived inequity associated with grade differences.

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## Awards

### *Continued*

**No Additional Taxation.** Time-off awards do not have explicit cash value and do not change the employee's income. As a result, time-off awards are not subject to additional tax withholdings. Agencies deduct tax withholdings from the salary paid during the period the time-off award is used, just as agencies deduct tax withholdings when employees use annual or sick leave or other forms of authorized paid absence.

**Immediate Reinforcement.** Time-off awards can be one of the award forms most closely linked to the time and place of the accomplishment. Agency policy may permit immediate supervisors to grant them, and in some situations employees might be able to use them immediately.

**More Perceived Value.** Some employees may value paid time off more than a cash award. For example, new employees traditionally have lower annual leave balances and may prefer additional paid time off.

#### ***Possible Disadvantages of Using Time-Off Awards***

**Loss of Productivity**—Because agencies do not have to provide additional cash outlay with time-off awards, they may not realize the real cost of these awards often can exceed the cost of paying for cash awards. Although agencies budget for salary expenses, managers may overlook the financial impact of time-off awards. A 40-hour time-off award represents about 2 percent

of the employee's total salary (not including benefits) the agency is paying even though the employee is not working. Managers need to take into consideration these hidden costs, especially in terms of productivity lost. Agencies need to ensure they manage the use of time-off awards and take into consideration:

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

#### ***Employees with "Use or Lose" Annual Leave***

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

#### ***External Perception***

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

#### ***Nontransferable***

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

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## Awards

### *Continued*

#### *Monitoring Issues*

It may be difficult for agencies to monitor and manage the use of time-off awards supervisors' grant on the spur of the moment. Once the award has been granted and used, supervisors may forget the need to document it. The Code of Federal Regulations requires agencies to document all cash and time-off awards (5 CFR 451.106(e)) in compliance with instructions in the OPM Operating Manual, The Guide to Processing Personnel Actions. This Guide is available from the OPM Web site on the Internet at [Click Here](#).

#### **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% of their base pay. Meritorious rank recipients receive 20% of base pay. All recipients receive a framed certificate signed by the President.

# Thrift Savings Plan

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

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

- Automatic payroll deductions.
- A diversified choice of investment options, including professionally designed lifecycle funds.
- A choice of tax treatments for your contributions:
- Traditional (pre-tax) contributions and tax deferred investment earnings; and
- Roth (after-tax) contributions with tax-free earnings at retirement if you satisfy the IRS requirements.
- Low administrative and investment expenses agency contributions, if you are an employee covered by the Federal Employees' Retirement System (FERS).
- Under certain circumstances, access to your money while you are still employed by the Federal Government.

- A beneficiary participant account established for your spouse in the event of your death a variety of withdrawal options.

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

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

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

## Establishing Your TSP Account

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

you also get contributions from your agency, so the total automatic contribution to your TSP account is 7% every pay period.

If you're a FERS employee hired before August 1, 2010 and are not contributing your own money, you still have a TSP account with accruing Agency Automatic (1%) Contributions. In addition, you can make contributions to your account from your pay and receive Agency/Service Matching Contributions.

You can make a *contribution election* using your agency's electronic system, if it has one. For example, many FERS employees are able to use Employee Express. If your agency does not use an automated system, you can complete Form TSP-1, Election Form, and return it to your agency.

If you are a CSRS employee, your account is established by your agency after you make a contribution election using your agency's automated system, if it has one. For example, many CSRS employees use Employee Express. If your agency does not use an electronic system, you can complete Form TSP-1, Election Form, and return it to your agency.



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# Thrift Savings Plan

*Continued*

## The TSP Contribution Election

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

- Start your contributions if you were not automatically enrolled;
- Increase or decrease your contributions if you were automatically enrolled;
- Change the amount of your employee contributions or their tax treatment (traditional or Roth);
- Stop your contributions.

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

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

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

## New Employee Checklist

Consider increasing your contributions to at least 5% to get the full agency match if you’re a FERS employee.

Look for your TSP account number, Web password, and ThriftLine Personal Identification Number (PIN) in the mail. Account number + Web password = Online account access Account number + PIN = ThriftLine (telephone) account access

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

- Make a “contribution allocation” to change the investment of future contributions to your account. Make an “interfund transfer” to change the investment of money already in your account.
- Think about whether you want to designate beneficiaries to receive your account in the event of your death.

## Employee Contribution for FERS, CSRS, and Uniformed Services

There are two types of employee contributions:

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

You have to contribute the maximum of regular contributions to be eligible to make catch-up contributions. You can also choose between two tax treatments for your contributions:

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

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

Special conditions for uniformed service members: In addition to basic pay, you can also contribute from 1 to 100% of any incentive pay, special pay, or bonus pay—as long as you elect to contribute



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## Thrift Savings Plan

### *Continued*

at least 1% from basic pay. Your total contributions from all types of pay must not exceed the applicable IRC contribution limit.

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

Catch-Up Contributions are payroll deductions that participants who are age 50 or older may be eligible to make in addition to regular employee contributions. Catch-up contributions are voluntary and can be either traditional pre-tax or Roth after-tax. To be eligible to make catch-up contributions, you must already be contributing an amount that will reach the IRC elective deferral limit by the end of the year. In the year you turn 50, you can begin making catch-up contributions at any time. Each pay period, your agency or service will make your contribution to the TSP from your pay in the amount you choose. Your catch-up contributions will stop

automatically when you meet the IRC catch-up contribution limit (see page 6) or at the end of the calendar year, whichever comes first. Your catch-up contributions will not continue from year to year; you have to make a new election for each calendar year.

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

### **Agency Contributions for FERS Employees**

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

Agency Automatic (1%) Contributions—equal to 1% of your basic pay—are deposited into your FERS employee TSP account every pay period,

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

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

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

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

Agency Matching Contributions – If you're a FERS participant, you receive Agency Matching

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# Thrift Savings Plan

## *Continued*

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

CSRS participants do not receive matching contributions.

Members of the uniformed services do not receive matching contributions unless they are in the new Blended Retirement System.

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

### **How Much You Can Contribute**

The Internal Revenue Code (IRC) places a number of specific limits on the dollar amount of contributions you can make to the TSP. These limits can change annually and

are generally referred to as the “IRS limits” because the Internal Revenue Service (IRS) is responsible for calculating them each year. When the annual limits become available, the TSP announces them on the TSP website and the ThriftLine as well as through its various publications.

The IRC elective deferral limit is the maximum amount of employee contributions that can be contributed in a calendar year. The elective deferral limit applies to the combined total of your tax-deferred traditional contributions and Roth contributions. The IRC elective deferral limit for 2019 is \$19,000.

For members of the uniformed services, elective deferrals include all traditional and Roth contributions from taxable basic pay, incentive pay, special pay, and bonus pay. However, the elective deferral limit of \$19,000 does not apply to traditional contributions made from tax-exempt pay earned in a combat zone. If you are a member of the uniformed services who is contributing to both a uniformed services and a civilian TSP account as a FERS employee, the elective deferral limit applies to the total amount of tax-deferred traditional employee and Roth contributions you make in a calendar year.

Elective deferrals do not include Agency (1%) or Agency Matching Contributions. The IRC section 415(c) limit is

an additional limit that the IRC imposes on the total amount of all contributions made on behalf of an employee to an eligible retirement plan in a calendar year. “All contributions” include employee contributions (tax-deferred, after-tax, and tax-exempt), Agency Automatic (1%) Contributions and Agency Matching Contributions.

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

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

### **A Choice of Tax Treatments**

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

1. Traditional TSP—If you make traditional contributions, you defer paying taxes on your contributions and their earnings until you withdraw

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# Thrift Savings Plan

## *Continued*

them. If you are a uniformed services member making tax-exempt contributions, your contributions will be tax-free; only your earnings will be subject to tax at withdrawal.

2. Roth TSP—If you make Roth contributions, you pay taxes on your contributions as you are making them (unless you are making tax-exempt contributions from combat pay) and get your earnings tax-free at withdrawal, as long as you meet the requirements to qualify.

Contributions made through automatic enrollment are traditional. If you want to make Roth contributions, you have to submit a contribution election to tell your agency or service what portion of your contributions you want designated as Roth.

### *Traditional TSP and Roth TSP*

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

### **Tax Liability**

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

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

### **Retirement Age and the Penalty Tax**

If you receive a TSP withdrawal payment before you reach age

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

There are other exceptions to the early withdrawal penalty tax. See the tax notice Important Tax Information About Payments From Your TSP Account, which is available at [www.tsp.gov/](http://www.tsp.gov/). The tax rules that apply to distributions from the TSP are complex, so you may also want to consult with a tax advisor or the IRS before you make any withdrawal decisions.

### **Retirement Savings Contributions Credit**

You may be able to take a tax credit for your TSP contributions. The Retirement Savings Contribution Credit (or Saver’s Credit) is designed to encourage low- and modest income individuals to save for retirement. Eligibility depends on your adjusted gross income (AGI) and filing status. For more information, see your tax advisor or refer to IRS Form 8880.

### **Moving Money from other Plans into the TSP**

The TSP will accept into the traditional balance of your TSP

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# Thrift Savings Plan

## *Continued*

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

The TSP will accept into the Roth balance of your TSP account: transfers of qualified and nonqualified Roth distributions from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s.

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

- Rollovers of Roth distributions that have already been paid to you; and
- Transfers or rollovers from Roth IRAs.

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

- Transfer money directly to the TSP. You can have your IRA or plan send all or part of the money directly to the TSP. This is called a "transfer" or "direct rollover." Use Form TSP-60, Request for a Transfer into the TSP, for tax-deferred amounts you want to transfer, and Form TSP-60-R for the transfer of Roth money.

These forms are available from the TSP website or from your agency or service.

- Roll over non-Roth money

into the TSP. You receive the money from your IRA or plan and put it into the TSP yourself using Form TSP-60. This is called a "rollover." If you decide to do a rollover, you will have 60 days to complete it, beginning on the date you receive the funds. You can roll over all or part of the money you receive. Your IRA or former plan will withhold the appropriate amount for taxes before it sends you the money. Keep in mind, then, that if you want to roll over the entire amount of the distribution, you will have to add in from your own funds the amount that was withheld for taxes. Any amount you don't roll over will be subject to Federal income tax. (The TSP will not accept rollovers of Roth money.)

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

### **Conditions for the Transfer**

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

- The money must be considered an "eligible rollover distribution" for Federal income tax purposes. (Verify this by checking with your tax advisor or the administrator

of the IRA or plan from which you are moving the money).

- You can transfer money into the TSP only if you have an existing TSP account.
- You cannot open a TSP account by transferring money into it. However, if you have an open TSP account, you can start a Roth balance with a transfer of Roth money, even if you have not elected Roth contributions.

### ***Why Transfer Your Money into the TSP?***

Transferring money into your TSP account allows you to consolidate your retirement savings in one place. This makes it easier to evaluate whether you are on target to reach your retirement savings goals, and to make sure the right asset allocation to meet these goals is applied to all your savings. Also, because of the TSP's now legendary low costs, your savings can grow faster. This is why record numbers of TSP participants have been moving money into the TSP over the years, as the following chart shows.

### **Investing in the TSP**

The TSP offers you two approaches to investing your money:

- The L Funds—These are "Lifecycle" funds that are invested according to a

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# Thrift Savings Plan

## *Continued*

professionally designed mix of stocks, bonds, and Government securities. You select your L Fund based on your “time horizon,” the future date at which you plan to start withdrawing your money. Depending upon your plans, this may be as soon as you leave or further in the future.

- Individual Funds—You make your own decisions about your investment mix by choosing from any or all of the individual TSP investment funds (G, F, C, S, and I Funds).

These investment options are designed so you can choose either the L Fund that is appropriate for your time horizon, or a combination of the individual TSP funds that will support your personal investment strategy. However, you may invest in any fund or combination of funds. Because the L Funds are already made up of the five individual funds, you will duplicate your investments if you invest simultaneously in an L Fund and the individual TSP funds.

Special note: If you are a civilian who was enrolled on or after September 5, 2015, or a BRS member of the uniformed services, then unless you choose another investment option, all contributions received by the TSP are deposited into the Lifecycle (L) Fund most appropriate for your age. If you were rehired after a break in

service, a number of factors affect how your contributions will be invested by default. It is especially important for you to review your statements to ensure your money is being invested the way you want it to be. If you do not meet any of the descriptions in the previous paragraph, then until you make an investment election, all contributions to your account are deposited into the Government Securities Investment (G) Fund.

### *The L Funds*

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

The five L Funds are:

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

For the most up-to-date L Fund

asset allocations, visit the TSP website ([www.tsp.gov/index.shtml](http://www.tsp.gov/index.shtml)), Investment Funds section, and choose Fund Options.

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

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

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

Each L Fund is rebalanced each business day to restore the fund to its intended investment mix. Each quarter, the funds’ asset allocations are adjusted to slightly more conservative investments. When an L Fund reaches its designated time horizon,



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# Thrift Savings Plan

## *Continued*

it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon.

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

### ***The Individual Funds***

The TSP has five individual investment funds:

1. The Government Securities Investment (G) Fund - The G Fund is invested in short-term U.S. Treasury securities. It gives you the opportunity to earn rates of interest similar to those of long-term Government securities with no risk of loss of principal. Payment of principal and interest is guaranteed by the U.S. Government. The interest paid by the G Fund securities is calculated monthly based on the market yields of all U.S. Treasury securities with more than 4 years to maturity.
2. The Fixed Income Index Investment (F) Fund - The F Fund is invested in a bond index fund that tracks the Barclays Capital U.S. Aggregate Bond Index.\* This is a broad index representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the

U.S. bond market. This fund offers you the opportunity to earn rates of return that exceed money market fund rates over the long term (particularly during periods of declining interest rates).

3. The Common Stock Index Investment (C) Fund - The C Fund is invested in a stock index fund that tracks the Standard & Poor's 500 (S&P 500) Stock Index. This is a market index made up of the stocks of 500 large to medium-sized U.S. companies. It offers you the potential to earn the higher investment returns associated with equity investments.
4. The Small Capitalization Stock Index (S) Fund - The S Fund is invested in a stock index fund that tracks the Dow Jones U.S. Completion Total Stock Market (TSM) Index. This is a market index of small and medium-sized U.S. companies that are not included in the S&P 500 index. It offers you the opportunity to earn potentially higher investment returns that are associated with "small cap" investments, but with greater volatility.
5. International Stock Index Investment (I) Fund - The I Fund is invested in a stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index. This is a broad international

market index, made up of primarily large companies in 22 developed countries. It gives you the opportunity to invest in international stock markets and to gain a global equity exposure in your portfolio.

Because the TSP funds are trust funds that are regulated by the Office of the Comptroller of the Currency and not by the Securities and Exchange Commission (SEC), they do not have ticker symbols (i.e., unique identifiers assigned to securities (including mutual funds) registered with the SEC).

### **Contribution Allocations and Interfund Transfers**

There are two types of investment transactions you can make:

- Contribution Allocation.
- Interfund Transfer.

#### ***Contribution Allocations***

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

Your contribution allocation will apply to all future deposits to your account. These include: employee contributions; agency contributions (if you are FERS); any special pay, incentive pay, or bonus pay that you contribute as a member of the uniformed services; any money you move into the TSP from other retirement plans;



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# Thrift Savings Plan

## *Continued*

and any TSP loan payments. Your contribution allocation will not affect money that is already in your account.

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

### ***Interfund Transfers***

An interfund transfer moves the money already in your account among the TSP investment funds. When you make an interfund transfer, you choose the new percentage you want invested in each fund. You cannot move specific dollar amounts among the funds. Also, you cannot move specific types of money among the funds. For example, if you have traditional (including tax- exempt) and Roth balances in your account, your interfund transfer will move a proportional amount from each type of money into the funds that you have specified.

Interfund transfers are limited. Each calendar month, your first two interfund transfers may be used to redistribute money in your account among any or all of the TSP funds. After the first two, your interfund transfers can only move money into the Government Securities Investment (G) Fund (in which case, you will increase the percentage of your account held in the G Fund by reducing the percentage held in one or more of the other TSP funds). If you have both a civilian and a uniformed services account, these rules apply to each account separately.

### ***Making a Contribution Allocation or Interfund Transfer***

You can make either of these transactions at [www.tsp.gov](http://www.tsp.gov) or by calling the ThriftLine (using the automated system, or by speaking to a TSP Participant Service Representative). To make a contribution allocation or interfund transfer online, you will need to log into the My Account section of [www.tsp.gov](http://www.tsp.gov). To make a contribution allocation or interfund transfer on the ThriftLine, you will need your account number and your ThriftLine PIN (or press 3 to speak to a Participant Service Representative). Contribution allocations or interfund transfers made on [www.tsp.gov](http://www.tsp.gov) or the ThriftLine before 12 noon eastern time are generally processed that business day. You will receive a confirmation of your transaction in the mail or by email if you used the website for your transaction and chose that option.

### **Administrative Expenses**

TSP expenses include the costs of operating the TSP's recordkeeping system; providing participant services; and printing and mailing notices, statements, and publications.

TSP expenses are lower than the industry average. These expenses are paid primarily from the forfeitures of Agency Automatic (1%) Contributions of FERS employees who leave Federal service before they are

vested, other forfeitures, loan fees, and – because those forfeitures and fees are not sufficient to cover all of the

TSP's expenses – earnings on participants' accounts.

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

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

Your share of TSP net administrative expenses is based on the size of your account balance. For example, if the G Fund's net expense ratio is .040%, that means your earnings are reduced by 40 cents per \$1,000 of your G Fund balance. You can find the current expense ratios for all of the TSP funds on [www.tsp.gov](http://www.tsp.gov).

### **TSP Loans, Withdrawals, and Refunds**

TSP Modernization Act: Effective September 15, 2019, new more flexible withdrawal

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# Thrift Savings Plan

## Continued

options are available. To see these new options, see TSPFS10, Questions and Answers about Changes to

TSP Withdrawal Options, available at: [www.tsp.gov/PDF/formspubs/tspfs10.pdf](http://www.tsp.gov/PDF/formspubs/tspfs10.pdf).

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

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

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

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

Any loan or withdrawal you

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

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

### Rules for Borrowing

- You have at least \$1,000 of your own contributions and associated earnings in your account. Agency contributions (and earnings on that money) cannot be borrowed.
- You are currently employed as a Federal civilian employee or member of the uniformed services. (Separated or retired participants and beneficiary

participants are not eligible.)

- You are in pay status. (Loan payments are deducted from your pay.)
- You have not repaid a TSP loan (of the same type) in full within the past 60 days.
- You have not had a taxable distribution on a loan within the past 12 months, unless the taxable distribution resulted from your separation from Federal service.
- You can borrow from your TSP account even if you have stopped contributing your own money.

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

### Cost of Taking a Loan

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

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

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

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# Thrift Savings Plan

## *Continued*

far-reaching.

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

### **Two Types of Loans**

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

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

share in your current residence, or for the purchase of land only. You can have only one general purpose and one residential loan outstanding at a time.

### **Loan Amount**

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

- Your own contributions and earnings on those contributions in the TSP account from which you intend to borrow (civilian or uniformed services), not including any outstanding loan balance (the Contributions and Earnings Test);
- 50% of your total vested account balance (including any outstanding loan balance) or \$10,000, whichever is greater, minus any outstanding loan balance (the Internal Revenue Service (IRS) Vested Balance Test); or
- \$50,000 minus your highest outstanding loan balance, if any, during the last 12 months (the IRS \$50,000 Test). Even if the loan is currently paid in full, it will still be considered in the calculation if it was open at any time during the last 12 months. For example, if you took out a loan for \$35,000, then paid the loan back in full within 12 months, the maximum loan amount you

would be eligible to borrow would remain \$15,000 (\$50,000 minus \$35,000, the highest outstanding balance during the last 12 months) even though the money has been returned to your account. Note: the above example is based on the assumption that the IRS \$50,000 Test is the lower of the three maximum loan amount tests.

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

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

### **When You Borrow from Your TSP Account**

The loan is disbursed proportionally from any traditional (non-Roth) and Roth balances in your account. Similarly, if you are a uniformed services employee with tax-

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# Thrift Savings Plan

## *Continued*

exempt contributions in your traditional balance, your loan will contain a proportional amount of tax-exempt contributions as well. If your TSP account is invested in more than one fund, your loan is deducted proportionally from the employee contributions (and earning on those contributions) that you have in each fund. Your total account balance is decreased by the amount of your loan.

### ***When You Repay Your Loan***

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

### **Loan Interest Rate**

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

### **Pay Status Required to Get Loan**

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

nonpay status includes leave without pay and furlough.

Most uniformed services members will never be in nonpay status. However, if you are a member of the Ready Reserve and you have been approved by your command for non-attendance of scheduled drill dates or you have been approved by your command to perform your yearly drill schedule over a one- or two-month period, you are considered, for TSP purposes, to be in nonpay status during the months you do not drill. When you return to pay status, you may apply for a TSP loan.

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

### **Spouse's Right to TSP Account**

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

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

- If you are a CSRS participant, the TSP must notify your spouse when you apply for a loan.

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

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

### **Court Orders and TSP Accounts**

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

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# Thrift Savings Plan

*Continued*

## Two Ways to Apply for a TSP Loan

1. Electronic Request–TSP website - [www.tsp.gov/](http://www.tsp.gov/).  
The TSP website is the most efficient way to request a loan. Log into the secure, My Account, section using your 13- digit TSP account number (or customized Web user ID), and your TSP Web password. Depending upon your retirement system coverage (FERS, CSRS, or uniformed services), marital status, type of loan, and how you want to receive the loan payment (by check or direct deposit), you will either be able to complete the process online, or you will be instructed to print out the partially completed Loan Agreement, complete the form, and mail or fax it to the TSP (with any additional required information). The TSP must receive the Loan Agreement before the expiration date at the top of the agreement.
2. Paper Request - Form TSP-20, Loan Application -  
Mail or fax your completed Loan Application to the TSP. Loan applications are available from the Forms & Publications section of the TSP website, or from your agency or service. The TSP will then send you a Loan Agreement with the terms of the loan. Complete the form, and return it to the TSP (with any additional required information). The TSP must receive the Loan Agreement

before the expiration date at the top of the agreement.

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

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

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

You can request that your loan be sent directly to your financial institution by electronic funds transfer (EFT). EFT is a safer method of payment than issuing a check. Please verify the routing number of your financial institution and your account number before you submit this information to the TSP. EFT payments can be made only to financial institutions in the United States. Note: If you request an EFT,

your loan request cannot be completed online.

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

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

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

Your loan may be less than the amount shown on your Loan Agreement. This can



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# Thrift Savings Plan

## *Continued*

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

### **Repaying a Loan**

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

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

You can reamortize<sup>1</sup> your loan at any time to change your payment amount or to shorten

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

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

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

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

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

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

You can make additional loan payments to restore your account more quickly or to make up for missed payments. Payments can be made by personal check or money order. Make your check or money order payable to the



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# Thrift Savings Plan

## Continued

Thrift Savings Plan, and send your payment with a Loan Payment Coupon (TSP-26), which can be downloaded from the TSP website. Be sure to provide your complete TSP account number and your loan number on the check or money order and the Loan Payment Coupon to help us identify your account. (If any information is missing, your payment will be returned to you.) You will receive a notice confirming your payment. Please allow several days for processing upon receipt of your payment.

You can also prepay your loan in full at any time without a prepayment penalty using the same procedures outlined above. The TSP website or the ThriftLine can provide you with the prepayment amount, which includes all unpaid principal and any unpaid interest. The TSP will notify you and your payroll office when your loan has been paid in full. If payments continue, contact your payroll office immediately.

### Taxable Distribution

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

term limit (5 years for a general purpose loan; 15 years for a residential loan); or (3) you separate from Federal service and do not repay your loan in full.

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

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

If the taxable distribution is declared because you separate from Federal service, any Roth earnings that are not qualified will be subject to tax. However, Roth earnings that are qualified<sup>2</sup> will not be subject to tax.

If the taxable distribution is declared for another reason (such as a default on your loan), the Roth earnings will be subject to tax, even if you have already met the conditions necessary for your Roth earnings to be qualified.

A taxable distribution permanently reduces your TSP account. If the TSP declares a taxable distribution of your

loan, your final account balance at retirement will be less than it otherwise would have been.

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

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

### Separated Participants

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

You may:

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

**Note:** A withdrawal cannot be processed from your account until your loan has been closed. When your agency or service reports your separation, you will be sent a notice with instructions. If the TSP does

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# Thrift Savings Plan

## *Continued*

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

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

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

Return to Federal Civilian Service," available on the TSP website.

### **Participant Death**

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

### **How Nonpay Status Affects Your TSP Loan**

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

- If you go into approved nonpay status, loan payments can be suspended for up to one year of the nonpay period. If your nonpay period exceeds one year, loan payments can no longer be suspended. Your loan will be automatically reamortized at the end of the calendar quarter (March, June, September, or December) following the expiration of your one-year limit. Once you have received confirmation of your reamortization, you must make loan payments directly to the TSP from your personal funds to avoid being in default. These loan payments are required even

if you are still in nonpay status. Note: The TSP will not automatically remove the nonpay hold on your account when your loan is reamortized after you reach the one-year limit. This will happen only when you return to pay status and you or your agency or service submits one of the documents listed below.

- If you are a civilian and go into approved nonpay status to perform military service, loan payments can be suspended until you return to pay status, even if this is longer than one year. (You cannot repay your civilian TSP loan by making loan deductions from your uniformed services pay.) Note: If the nonpay documentation submitted to the TSP does not specify that you are in nonpay status to perform military service, the suspension of your loan payments cannot exceed the one-year period described above. If your agency or service reports you as separated from civilian service to perform military service (rather than in nonpay), your loan must be closed within 90 days of the date when your agency or service reports your separation to the TSP.

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

- Form TSP-41, Notification to TSP of Nonpay Status; or

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# Thrift Savings Plan

## *Continued*

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

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

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

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

Interest on your loan will

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

When you return from nonpay status, you or your agency or service must notify the TSP of your date of return using any type of documentation described previously in this section. Once the TSP is informed that you have returned to pay status, your loan will be reamortized automatically, and your loan payments made by payroll deductions must resume. Your reamortized loan payments must repay your loan by the maximum time allowed (5 years for a general-purpose loan; 15 years for a residential loan). If your current loan payment amount will repay your loan within this time period, your loan payment amount will not be changed. However, if your current loan payment amount will not repay the reamortized loan in full within this time period, your loan payment amount will be increased. If you are in a position that routinely goes into nonpay status, be aware that your loan payments could increase substantially over the term of the loan. Any loan payments received by the TSP during the nonpay period

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

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

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

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# Thrift Savings Plan

*Continued*

## Requirements for Residential Loan Documentation

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

### *All of your documentation must:*

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

## Acceptable Types of Documentation

### *Purchase of House/ Townhouse/Condo*

- Contract; or
- Final (not estimated) settlement sheet.

### *Construction of New Home*

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

- Construction contract(s); or
- Building permits;
- Blueprints;
- Utility permits;
- Material receipts.

### *Purchase of a Co-op*

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

### *Purchase of Mobile Home*

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

## *Purchase of Recreational Vehicle (RV)*

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

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

## *Purchase of Boat*

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

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

**Note:** A buyer/broker agreement or a Mortgage Application or Statement is

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# Thrift Savings Plan

## Continued

not an acceptable form of documentation. However, other limited forms of documentation may be adequate under certain circumstances (e.g., legal/court documentation for auction purchases). If you are unsure if your documentation is acceptable, contact the TSP.

### Checklist for Making Loan Payments Directly to the TSP

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

If you want to make payments for more than one loan, send a separate check (or money order) and coupon for each loan.

Do not send correspondence or other TSP forms with the

coupon. Mail the coupon and your check to:

Thrift Savings Plan  
P.O. Box 979004  
St. Louis, MO 63197-9000

Send overnight deliveries to:

U.S. Bank  
Box 9004  
Government Lockbox  
SL-MO-C2GL  
1005 Convention Plaza  
St. Louis, MO 63101

Sources of Loan Information

The TSP Website, [www.tsp.gov](http://www.tsp.gov), offers the following:

- General information about the loan program, including the current loan interest rate.
  - Forms and publications.
  - Loan calculator to estimate loan payments based on specific terms.
  - Residential Loan Checklist
- .
- In the My Account section using your TSP account number or Web user ID and TSP Web password, you can:
- Learn the amount in your TSP account that is available for you to borrow.
  - Obtain the current loan interest rate
- .
- Estimate the amount or repayment term of your loan payments.

- Start (and possibly complete) a loan request.
- Check the status of your loan request.
- Change the terms of your loan.
- Obtain your outstanding loan balance.
- See your overdue loan (cure) amount if you have missed a payment.
- Get prepayment information.

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

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

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

### Forms and Correspondence

Mail forms and correspondence only (not loan payments) to:

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

Fax forms and correspondence to **(866) 817-5023**.



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# Thrift Savings Plan

*Continued*

## **In-Service Withdrawals**

In-service withdrawals are withdrawals you make from your TSP account while you are still actively employed in Federal service or a member of the uniformed services.

The TSP permits two types of in-service withdrawals: financial hardship and age-based.

### ***Before You Make an In-Service Withdrawal***

An in-service withdrawal can have a serious impact on your TSP account. Remember that the purpose of your account is to accumulate savings so that you will have income during retirement. If you withdraw money now, you'll have less money later. So, you should be aware of the following:

- When you take an in-service withdrawal, you cannot return or repay the money you remove from your TSP account. You permanently reduce your retirement savings by the amount of the withdrawal as well as any future earnings you would have accrued on that money.
- You are subject to income taxes on your withdrawal except on any portion that consists of tax-exempt contributions, Roth contributions, or qualified Roth earnings. With a hardship withdrawal, you may be subject to the IRS 10% early withdrawal penalty tax.

- Spouse's rights affect your in-service withdrawal. If you are a married FERS participant or a member of the uniformed services, your spouse must sign a consent waiver for your in-service withdrawal. If you are a married CSRS participant, the TSP must notify your spouse before the in-service withdrawal can be made. These rights apply even if you are legally separated from your spouse.

Be sure to read the booklet *In-Service Withdrawals* completely before you begin the application process.

### ***Types of In-Service Withdrawals***

There are two types of in-service withdrawals:

1. A financial hardship in-service withdrawal.
2. An age-based in-service withdrawal.

### ***Financial Hardship In-Service Withdrawal***

#### ***Eligibility Rules***

The amount you withdraw from your account for a financial hardship must be limited to your financial need. To be eligible, your financial need must result from at least one of the following four conditions:

- Recurring negative monthly cash flow.

- Medical expenses (including household improvements needed for medical care) that you have not yet paid and that are not covered by insurance.
- Personal casualty loss(es) that you have not yet paid and that are not covered by insurance.
- Legal expenses (such as attorneys' fees and court costs) that you have not yet paid for separation or divorce from your spouse.

### ***Additional Requirements for Financial Hardship Withdrawals***

In addition to the eligibility rules, the following apply:

- You cannot withdraw less than \$1,000.
- You may only withdraw your own contributions and any earnings those contributions have accrued.
- If you have two separate TSP accounts - a civilian TSP account and a uniformed services account - you can only make a financial hardship withdrawal from the account associated with your active employment at the time of your withdrawal. However, if both of your accounts are associated with your active employment, you can make a financial hardship withdrawal from each account.

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# Thrift Savings Plan

## *Continued*

When you complete your application, you will be required to certify, under penalty of perjury, that you have a genuine financial hardship.

### ***Age-Based In-Service Withdrawal***

You can make an age-based in-service withdrawal any time after you reach age 59½ as long as you are an active civilian Federal employee or a member of the uniformed services.

### ***Eligibility Rules***

The following rules apply for age-based withdrawals:

- You can only withdraw funds in which you are vested (i.e., entitled to keep) based on your years of service.
- The amount of your age-based withdrawals must be at least \$1,000 or your entire vested account balance (even if it's less than \$1,000).
- You may only take up to four age-based withdrawals per calendar year. If you have two separate TSP accounts—a civilian TSP account and a uniformed services account—you can only make age-based withdrawals from the account associated with your active employment at the time of your withdrawal. However, if both of your accounts are associated with your active employment, you can make

age-based withdrawals from each account.

The TSP determines your age based on the date of birth reported by your employing agency or service. If that date is incorrect, you must ask your agency or service to change it.

### ***Consequences of Age-Based Withdrawals***

Your age-based withdrawal is subject to Federal income tax and, in some cases, state income tax. Any tax-exempt or Roth contributions included in your withdrawal are not subject to Federal income tax; neither are any qualified Roth earnings.

### ***Spouses' Rights for In-Service Withdrawals***

Your spouse has certain rights with regard to your in-service withdrawal, even if you are separated from your spouse. Therefore, on your request for an in-service withdrawal, you must indicate whether or not you are married. If you are married, the following rules apply:

If you are a FERS participant or a member of the uniformed services, the law requires your spouse's consent to your in-service withdrawal. If your spouse's whereabouts are unknown, or if exceptional circumstances make it impossible to obtain your spouse's signature, you must apply for an exception by completing Form TSP-

16, *Exception to Spousal Requirements* (TSP-U-16 for members of the uniformed services).

If you are a CSRS participant, TSP must notify your spouse before your in-service withdrawal can be completed. If you do not know the whereabouts of your spouse, you must apply for an exception on Form TSP-16, *Exception to Spousal Requirements*.

The criteria for supporting a claim of “exceptional circumstances” or “whereabouts unknown” are strict. The fact that there is a separation agreement, a prenuptial agreement, a protective order, or a divorce petition does not in itself support a claim of exceptional circumstances. If you need to submit an Exception to Spousal Requirements form, you can obtain one at [www.tsp.gov/](http://www.tsp.gov/) or by calling the ThriftLine. You must submit the form to us along with the documentation requested in it.

### ***Taxes On In-Service Withdrawals***

Age-based withdrawal payments are considered eligible rollover distributions for Federal income tax purposes and are subject to mandatory 20% Federal income tax withholding. You may increase your withholding but you may not decrease or waive it. You may be able to transfer

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## Thrift Savings Plan

### *Continued*

or roll over all or a part of your age-based withdrawal to a traditional IRA, a Roth IRA, or an eligible employer plan. However, your eligibility to transfer or roll over, as well as how taxes are applied, depends on the type of money contained in your withdrawal (traditional or Roth) and the type of account that will receive your transfer or rollover. Depending on the type of plan you move your money into, the funds you transfer or roll over may become subject to plan rules different from those that govern the TSP.

For more detailed information about the tax rules, see the TSP tax notice “Important Tax Information about Payments from Your TSP Account” ([www.tsp.gov/PDF/formspubs/tsp-536.pdf](http://www.tsp.gov/PDF/formspubs/tsp-536.pdf)).

#### *Withdrawals after You Separate*

##### *Your Options*

If you’re ready to leave Federal service, now is the time to decide what to do with your TSP account. You can leave your account with the TSP or choose one of several withdrawal options.

##### *Leaving Your Money in the TSP*

If your *vested account balance* is \$200 or more, you never have to take a withdrawal from your account except for *required minimum distributions*, which start once you’re both separated from service and

age 70½ or older. Keep your address updated. Once you’ve separated from federal service, you must notify the TSP directly if you have an address change. You can change your address at *My Account: Profile Settings*. You will need to enter your TSP account number (or user ID) and your Web password. You may also call the ThriftLine to change your address.

#### ***Transferring Money Into Your TSP Account***

Not only can you leave your money with the TSP, you can simplify your financial life by moving money from plans into your TSP account. By consolidating accounts in this way, you’ll continue to enjoy the TSP’s low administrative expenses and you’ll still be able to change your investment mix by making interfund transfers.

#### **Withdrawal Methods**

There are three basic methods of withdrawing money from your TSP account after leaving federal service:

- TSP installment payments (a fixed dollar amount or one based on life expectancy).
- Single withdrawals (\$1,000 minimum).
- Annuities (purchased for you from our annuity vendor; \$3,500 minimum).

You can choose any of these options or any combination of them.

In addition, if you have both Roth and traditional money in your account, you can choose to have your payment come from your traditional balance only, from your Roth balance only, or pro rata (proportionally) from both balances. Pro rata from both balances is the default option. Note that if you choose traditional only or Roth only for installments, your payments will continue after your chosen balance runs out. At that point your payments will begin coming from the balance you did not choose.

For single withdrawals and fixed-dollar-amount TSP installment payments expected to last less than 10 years, you can also transfer payments to an IRA or eligible employer plan.

#### **TSP Installment Payments**

You can choose to receive payments from your account monthly, quarterly (every three months), or annually. Your payments will continue, unless you stop them, until your total account balance equals zero. This is true even if you choose to have the payments come from your traditional balance first or from your Roth balance first. When you run out of money in your chosen source (traditional or Roth), payments will continue from the source you didn’t choose.

There are two ways of setting the payment amount: payments of a fixed dollar amount and payments based on life expectancy.

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# Thrift Savings Plan

*Continued*

## Fixed Dollar Amount

You can choose the amount you want to receive in each payment as long as it's at least \$25.

## Life Expectancy

You can have the TSP compute your installment payments based on IRS life expectancy tables. Your initial payment amount will be based on your age and your account balance at the time of the first payment. Life expectancy payments are calculated using your entire account balance even if you choose to withdraw from your Roth balance first or your traditional balance first. (See “Traditional, Roth, or Both” on page 4.) If you choose life-expectancy-based installment payments in combination with a single withdrawal, an annuity purchase, or both, your payment calculation will be made after the other funds are removed from your account. Each January, TSP will recalculate the amount of your installment payment. The recalculation will be based on your age and your account balance at the end of the preceding year.

Use the “TSP Installment Payment Calculator” at [www.tsp.gov/](http://www.tsp.gov/) to estimate the amount of your life expectancy payments or to see how long payments of a fixed dollar amount would last. Remember that investment gains or losses and other account activity could cause your account balance to increase

or decrease, which could increase or decrease either the amount of your life expectancy payments or the duration of your fixed dollar-amount payments.

## Making Changes to Your Installment Payments

After your installment payments are set up, you can make changes to them at any time. You can make the following changes whether you're receiving payments of a fixed dollar amount or based on life expectancy:

- Stop payments.
- Change the source of payments (traditional, Roth, or both).
- Start, stop, or change direct deposit of your payments.
- Change your federal tax withholding.

The following changes can only be made if your payments are of a fixed dollar amount:

- Change the dollar amount of your payments.
- Change the frequency of your payments.
- Start transferring your payments to an IRA or eligible employer plan (only if payments are expected to last less than 10 years).
- Change or stop transfers (if currently transferring).

**Important:** Note that changing the amount or frequency of your payments is not valid for payments based on life expectancy. So the TSP will change your payments to fixed-dollar-amount payments if you request such a change. You cannot change from payments of a fixed dollar amount to payments based on life expectancy, so this change will be permanent.

## Installment Payments Lasting Less Than 10 Years vs. Payments Lasting 10 Years or More

The rules for federal tax withholding and eligibility to transfer to an IRA or eligible employer plan are different depending on how long your payments are expected to last. If the expected duration of your payments is less than 10 years, the following IRS rules apply: **Important:** Note that changing the amount or frequency of your payments is not valid for payments based on life expectancy. So the TSP will change your payments to fixed-dollar-amount payments if you request such a change. You cannot change from payments of a fixed dollar amount to payments based on life expectancy, so this change will be permanent.

## Installment Payments Lasting Less Than 10 Years vs. Payments Lasting 10 Years or More

The rules for federal tax withholding and eligibility to transfer to an IRA or eligible

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## Thrift Savings Plan

### *Continued*

employer plan are different depending on how long your payments are expected to last. If the expected duration of your payments is less than 10 years, the following IRS rules apply:

- TSP must withhold 20% of any amount that you do not transfer for federal income tax.
- You can instruct TSP to withhold an amount in addition to the 20% default withholding.
- TSP cannot waive withholding or withhold any less than 20%.
- You are permitted to transfer all or part of your payments to an IRA or eligible employer plan.

**If the expected duration of your payments is 10 years or more or they are based on life expectancy the following IRS rules apply:**

- TSP must withhold for federal income tax as if you are married with three dependents.
- You can instruct TSP to waive withholding, withhold based on your marital status and allowances, or withhold an additional amount.
- You are not permitted to transfer any part of your payments to an IRA or eligible employer plan. See the TSP tax notice *Important Information About Payments From*

*Your TSP Account* for more information. To determine the expected duration of your fixed-dollar amount payments, TSP divides your account balance by the amount of your payment:

- For annual payments:  
Balance ÷ Payment Amount
- For quarterly payments:  
(Balance ÷ Payment Amount) ÷ 4
- For monthly payments:  
(Balance ÷ Payment Amount) ÷ 12

TSP does not consider potential earnings or losses when calculating the expected duration of your payments. The following events will trigger a recalculation of your expected payment duration:

- You change the dollar amount or frequency of your payments.
- You transfer money into your TSP account.
- You take a withdrawal or purchase an annuity in addition to your installment payments.

If the recalculation changes the expected payment duration from less than 10 years to 10 years or more, or vice versa, the rules that apply to your payments will change.

### **Single Withdrawal**

You can withdraw any amount of \$1,000 or more from your account in a single payment. There is no limit on the number

of single withdrawals you can make, but TSP will not process more than one in any 30-day period. You are allowed to take a single withdrawal of part of your account even if you're currently receiving installment payments.

### **Purchase an Annuity**

You can use all or part of your TSP account to purchase a life annuity through the TSP outside vendor. Purchasing an annuity means that you pay now to receive monthly payments that last for the rest of your life (or, if you choose a joint life annuity, the life of your joint annuitant). The money you use to purchase a life annuity is no longer managed by you; it's not like your TSP account, an IRA, a CD, or a bank account. You give up your money and the control of it in exchange for guaranteed lifetime monthly payments. If you choose this option, TSP will purchase an annuity for you from their annuity provider. Your annuity is not part of your TSP account. The minimum for an annuity purchase is \$3,500. The minimum applies to your traditional and your Roth balances separately. See the TSP fact sheet *Annuities*, available at [www.tsp.gov](http://www.tsp.gov), for more information.

You Have a Choice of Three Basic Annuity Types:

- A single life annuity—paid only to you during your lifetime.



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## Thrift Savings Plan

### *Continued*

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

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

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

#### **Traditional, Roth, or Both**

If you have both traditional and Roth money in your account, you can specify that your withdrawal should come only from your traditional money or only from your Roth money. This is optional. If you don’t specify, then your withdrawal will be made from both types “pro rata,” meaning it will have the same percentages of Roth and traditional as are in your

account.

Example of a pro rata withdrawal: Your total account balance is \$150,000, of which \$120,000 (80%) is traditional and \$30,000 (20%) is Roth. You request a withdrawal of \$10,000, and you don’t specify traditional or Roth. Your withdrawal will consist of \$8,000 (80%) of traditional money and \$2,000 (20%) of Roth money.

#### **Taxes on TSP Withdrawals**

Your TSP withdrawal may be subject to federal income taxes. The tax treatment of your withdrawal depends on the type of balance (traditional, Roth, or both) from which your withdrawal is taken as well as the withdrawal method that you choose. For detailed information about the tax rules, read the TSP tax notice Important Tax Information About Payments From Your TSP Account, available at [www.tsp.gov/](http://www.tsp.gov/) or by calling the ThriftLine.

#### **Special Note for Uniformed Services Members**

If you have a uniformed services TSP account, or a beneficiary participant account created from your spouse’s uniformed services account, your account may include tax-exempt contributions as a result of deployment to a combat zone. These contributions are always exempt from federal income taxes. The tax treatment of earnings on tax-exempt money

depends on whether they’re in a traditional balance or a Roth balance. Earnings on tax-exempt money in your traditional balance will be subject to tax at the time that you make a withdrawal. The earnings on tax-exempt money in your Roth balance will not be taxed if they are qualified.<sup>4</sup> See the TSP tax notice Important Tax Information About Payments From Your TSP Account for a detailed explanation.

**Note:** Withdrawals from a uniformed services account traditional balance will be paid pro rata (i.e., proportionally) from taxable and nontaxable amounts.

#### **Transferring Your Withdrawal**

You can transfer part or all of your single withdrawal or eligible installment payments to an IRA or an eligible employer plan (for example, the 401(k) plan of a new employer). Check with the IRA provider or the other plan’s administrator to see if it can accept your transfer. Any tax-deferred amounts that are transferred will retain their tax-deferred status until you withdraw your money.

**Note:** You can transfer traditional money to a Roth IRA, but you will have to pay taxes on the amount transferred at the time you transfer it. You cannot transfer Roth money to a traditional IRA since that would result in your paying taxes on the same

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# Thrift Savings Plan

## Continued

money twice, once before it went into your Roth TSP and once when you withdraw it from the traditional IRA.

### Single withdrawal

If you have only one type of balance (traditional or Roth) in your single withdrawal, you can direct all or part of it to only one IRA account or eligible employer plan. If you have both traditional and Roth balances in your withdrawal, you can direct all or part of the traditional portion to one IRA or plan, and all or part of the Roth portion of the payment to another IRA or plan (assuming you meet the eligibility requirements of the receiving plan(s)). We will pay any amounts not transferred directly to you either by check or direct deposit.

When requesting a transfer, be sure to use the transfer pages provided by the TSP. Do not use forms provided by the new plan or financial institution.

### TSP installment payments

If your TSP installment payments are eligible, you can choose to have us transfer them to an IRA or eligible employer plan. Your installment payments are eligible if they're expected to last less than 10 years and are not based on life expectancy.

As with single withdrawals, if you have only one type of balance (traditional or Roth) in your payment, you can direct all or part of your eligible installment payments to only

one IRA account or eligible employer plan. If you have both traditional and Roth balances in your payment, you can direct all or part of the traditional portion to one IRA or plan and all or part of the Roth portion of your eligible installment payment to another IRA account or plan (assuming you meet the eligibility requirements of the receiving plan(s)). TSP will pay any amounts not transferred directly to you either by check or direct deposit.

If your plan or financial institution needs TSP to certify that the money you are transferring is eligible for transfer, you can provide it with a copy of the fact sheet *Transfers From the Thrift Savings Plan to Eligible Retirement Plans*. It is available at [www.tsp.gov/](http://www.tsp.gov/) or by calling the ThriftLine.

Transferring tax-exempt TSP balances. Tax-exempt balances resulting from contributions from pay earned in a combat zone may also be transferred or rolled over into an IRA or transferred to an eligible employer plan. Traditional IRAs must certify that they accept tax exempt money in order for TSP to make the transfer. TSP is allowed to transfer tax-exempt money from your account only if you have no taxable money left. If you have some taxable money but not enough to satisfy the percentage that you elected to transfer, TSP will transfer the taxable money first and then transfer enough tax-exempt money to make up the

difference.

The tax rules surrounding transfers and rollovers of traditional and Roth balances are complex. For more information, read the TSP tax notice *Important Tax Information About Payments From Your TSP Account*. You should also consider speaking with a qualified tax advisor before making your decision.

Rolling over your withdrawal. TSP will pay any amounts not transferred directly to you either by check or direct deposit, and you will be subject to federal tax withholding on any taxable amounts. Within 60 days of receiving payment, you can still send it to an IRA or eligible employer plan. When you make the transaction this way, it's called a rollover.

Spouses' Rights The Federal Employees' Retirement System Act of 1986, which created the TSP, provides certain rights to spouses of participants. These rules do not apply to beneficiary participants. If you are a married FERS, CSRS, or uniformed services participant (even if you are separated from your spouse), you are subject to certain spouses' rights requirements, as explained below.

If you are a married FERS or uniformed services participant with a total TSP account balance of more than \$3,500, your spouse is entitled by law to a prescribed survivor annuity. This is a joint life annuity with a 50% survivor benefit, level

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# Thrift Savings Plan

## Continued

payments, and no cash refund feature. If you choose any other annuity, any other withdrawal 8 option, or any combination of options, your spouse must provide signed, notarized consent for the withdrawal to be processed. This is also true if you request a change in the amount or frequency of installment payments since this could affect the amount available for an annuity.

If you are a married CSRS participant with a total TSP account balance of more than \$3,500, TSP must notify your spouse of your withdrawal. This is also true if you request a change in the amount or frequency of installment payments since this could affect the amount available for an annuity. Exceptions. Under certain circumstances, exceptions may be made to the TSP's spouses' rights requirements. The conditions under which these exceptions are granted are very strict. To obtain more information on the requirements for an exception—or apply for an exception—use Form TSP-16, *Exception to Spousal Requirements* (TSP-U-16 for members of the uniformed services).

### Account Holds

Some situations may cause a hold to be placed on your account. Examples include the following:

- A court order that awards all or part of a TSP account to a current or former spouse

(including a separated spouse).

- A legal process that enforces obligations to pay child support or alimony, or to satisfy judgments for child abuse.
- A federal tax levy.
- A criminal restitution order pursuant to the Mandatory Victims Restitution Act (MVRA).
- A hold we place on your account because of suspected fraud.
- A hold you request to protect your account.
- A hold we place on your account for administrative reasons such as account corrections or adjustments.

Your withdrawal request will not be accepted until the matter that caused the hold is settled and the hold is removed from your account. However, any required minimum distributions will be disbursed by the appropriate deadline. For more information about court orders, obtain the booklet *Court Orders and Powers of Attorney* and the TSP tax notice *Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders*. Both are available at [www.tsp.gov/](http://www.tsp.gov/).

### Death Benefits

If you die with a balance in your TSP account and you did not designate beneficiaries for

that account, the account will be distributed according to a statutory order of precedence. If you want your account to be distributed in some other way, you may use Form TSP-3, *Designation of Beneficiary*. For TSP to honor it, a valid Form TSP-3 must be on file with TSP at the time of your death. TSP cannot honor a will or any other document. See the booklet *Death Benefits Information for Participants and Beneficiaries* for more information, including the statutory order of precedence.

### Required Minimum Distributions

If you are a separated participant, the Internal Revenue Code requires that you receive a portion of your TSP account (your “required minimum distribution” or “RMD”) beginning in the calendar year when you become age 70½ and are separated from service. If you are a beneficiary participant, your deadline for beginning to receive required minimum distributions depends on whether your spouse died before or after his or her required beginning date.

Any withdrawals you make while subject to RMDs will be used to satisfy the requirement. If the total amount of your withdrawals does not satisfy the requirement, TSP will issue a supplemental payment for the remaining amount before the deadline each year.

If TSP automatically sends you

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# Thrift Savings Plan

*Continued*

an RMD because you did not withdraw a sufficient amount and you have both traditional and Roth balances in your TSP account, the automatic RMD will be taken proportionally from each balance.

Required minimum distributions cannot be transferred or rolled over. This means that if you make a withdrawal of any kind in a year that you are subject to an RMD and you request a transfer of all or any portion of that withdrawal, TSP will first calculate and distribute any RMD amount due directly to you before making a transfer.

For detailed rules regarding required minimum distributions, see the TSP tax notice *Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions*. Or, for beneficiary participants, see *Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants*.

## Participants with Two TSP Accounts

Some TSP participants (e.g., members of the Ready Reserve) may have two separate TSP accounts—a federal civilian account and a uniformed services account. If you are one of these participants and you separate from either federal civilian employment or the uniformed services, you may make post-separation withdrawals only from the TSP account related to the type of employment from

which you have separated.

Once you have separated, you will also have the option of combining your two accounts into one. However, you can only combine the account related to your separation into your other TSP account. For example, if you are separated from the uniformed services, you can transfer your uniformed services account into your civilian account. If you have separated from both federal civilian employment and the uniformed services, you can choose which account you want to keep and combine the other one with it. To combine civilian and uniformed services TSP accounts, use Form TSP-65, *Request to Combine Civilian and Uniformed Services TSP Accounts*. This is only allowed up to the end of the calendar year before the year you turn 70½.

**Note:** If the traditional portion of your uniformed services TSP account includes a tax-exempt balance, you cannot transfer it into your civilian TSP account. Therefore, you will need to retain your uniformed services account to hold your tax-exempt money until you wish to withdraw it. It will continue to accrue tax-deferred earnings until you withdraw it. Any tax-exempt money that was contributed to your Roth balance can be transferred into your civilian TSP account. TSP beneficiary participant accounts may not be combined with other TSP beneficiary participant accounts. However, if you have your own TSP

account because you are or were a federal civilian employee or a member of the uniformed services, you may transfer your beneficiary participant account into that account. You **cannot** move your civilian or uniformed services account into your beneficiary participant account.

## Taxes on Withdrawals After You Separate

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

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

Depending on your age when you leave Federal service, as well as your withdrawal option and its timing, you may be subject to the IRS early withdrawal penalty tax. For

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# Thrift Savings Plan

## *Continued*

detailed information about the tax rules that apply to post-separation withdrawals, you should read the TSP tax notice “Important Tax Information about Payments from Your TSP Account” and consult with your tax advisor.

### ***Getting Information***

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

### ***Required Minimum Distributions (RMDs)***

The Internal Revenue Code (IRC) requires that you begin receiving annual distributions from your beneficiary participant account according to its required minimum distribution rules. These rules require you to receive a certain portion of your account each year based on your life expectancy.

The required minimum distribution rules apply to your TSP account as a whole. The calculation of your RMD takes into account both traditional and Roth balances.

The date on which you must begin receiving required minimum distributions (RMDs) depends on whether the deceased participant died

before or on/after his or her “required beginning date.” The required beginning date is defined as April 1 of the year following the year a participant reaches age 70½, or separates from government service, whichever is later.

For example, if a separated participant was born on June 1, 1945, he or she would turn age 70½ on December 1, 2015; and his or her required beginning date would be April 1, 2016.

Because the rules are complex, more specific information about the IRS required minimum distribution rules can be found in the TSP tax notice *Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants*.

### ***Automatic Enrollment Refunds***

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

When the TSP receives your first contribution, you will receive your “welcome letter” from the TSP. The welcome letter will indicate the date

your refund request must be received in order to be processed and other details relating to the refund.

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

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

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

### ***Death Benefits***

In the event of your death, your



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# Thrift Savings Plan

## *Continued*

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

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

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

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

### ***Designating a Beneficiary***

If you wish, you can designate

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

### ***Reviewing Your Beneficiaries***

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

### ***TSP Distribution of Death Benefits***

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

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

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

### ***Beneficiary Participant Accounts***

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

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

### **Other Information about the TSP**

*TSP Website* ([www.tsp.gov](http://www.tsp.gov))

The TSP website has current TSP information and materials

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# Thrift Savings Plan

## *Continued*

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

### *ThriftLine*

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

### *Account Security*

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

### *TSP Account Number*

The TSP provides you with a 13-digit account number that you must use to identify your account. Use this number when accessing your account

on the TSP website or the ThriftLine or when filling in TSP forms. Like a bank or credit union account number, your TSP account number cannot be changed. If you forget it, you can use the TSP website or the ThriftLine to request to have it mailed to you. You can also find your account number on your quarterly and annual participant statements.

### *Customized User ID*

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

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

### *Web Password*

As soon as your account is established, the TSP mails you an 8-digit Web password to use with your TSP account number (or customized user

ID) when you log into the My Account section of the TSP website or when you contact the TSP. You can change your password at any time, but you must first enter your TSP account number or user ID and your existing password. If you forget your Web password, you can request a new one at the beginning of the My Account section of the TSP website or by contacting the TSP.

### *ThriftLine Personal Identification Number (PIN)*

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

### *Participant Statements*

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

Your quarterly statements cover all transactions in your account during the previous three months. If you have any TSP loans, the statement also

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# Thrift Savings Plan

## *Continued*

summarizes your loan activity. You can view or print these statements on the TSP website or request to have them mailed to you.

Your annual statement summarizes the financial activity in your account for that year and provides other important information such as your personal investment performance and your primary beneficiary information. The TSP posts this statement on the Web and, unless you request only electronic annual statements, also mails it to you. Check your statements carefully, and, if you see any information you believe is not correct, follow up with your agency or service or the TSP.

### **Court Orders**

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

### **TSP Administration**

#### ***Management***

The Federal Retirement Thrift Investment Board (Agency) is an independent Government agency that administers the TSP. It is managed by

a presidentially appointed five-member Board and an Executive Director chosen by the Board.

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

#### ***Law***

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

#### ***Audits***

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

#### ***Bankruptcy and TSP Loans***

The funds in your TSP account are held in trust for you by the TSP and, by law, are protected from the claims of creditors.

Your TSP account cannot be

garnished to pay debts.

#### ***TSP Loan Repayment***

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

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

#### ***Financial Hardship In-Service Withdrawal***

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

#### ***More Information***

For detailed information about the effect of bankruptcy on your TSP account, see the TSP fact sheet, *Bankruptcy Information — Petitions Filed on or After October 17, 2005* [tsp.gov/PDF/formspubs/oc95-10-b.pdf](https://www.tsp.gov/PDF/formspubs/oc95-10-b.pdf). Different rules apply to bankruptcies filed prior to that date.



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# Flexible Spending Accounts

A Flexible Spending Account, or FSA, is an employee benefit program that allows you to set aside money, on a pre-tax basis, for certain health care and dependent care expenses. That means YOU keep MORE of your MONEY. FSAFEDS is the Federal Flexible Spending Account Program which is the FSA for most federal employees. FSAFEDS offers three types of accounts:

**Health Care FSA (HCFSA)**, which is used to pay for eligible medical, dental, and vision care expenses.

**Limited Expense Health Care FSA (LEX HCFSA)**, which is used to pay for *qualified out-of-pocket dental and vision care expenses* for employees enrolled in a High Deductible Health Plan.

**Dependent Care FSA (DCFSA)**, which is used to pay *qualified out-of-pocket dependent care expenses*. The average FSAFEDS participant saves 30% on their eligible out-of-pocket expenses as a result of being enrolled. To find out more about FSAFEDS or to sign up, visit [www.FSAFEDS.com](http://www.FSAFEDS.com).

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

for 2019 is \$2,700. The minimum annual election for a Health Care Flexible Spending Account is \$100 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 \$100 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.

## Overview

Participation in the program is entirely voluntary. You do not have to participate if you do not want to.

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.

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.

HCFSA participants have until December 31st to incur eligible expenses and can carry over up to \$500 of unused funds into their HCFSA account in the subsequent year if requirements are met. Dependent care participants have a grace period of an additional 2 ½ months (January 1 through March 15) to continue to incur eligible expenses against their prior



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# Flexible Spending Accounts

*Continued*

year balance if requirements are met. Dependent care participants cannot carry over funds from one benefit period into another. You can enroll during the Federal Benefits Open Season and must actively re-enroll each year to remain enrolled. You may be able to enroll, change or cancel your election if you have experienced a qualifying life event (QLE) in the past 60 days.

A few examples of a “qualifying life event” include a change in your marital status (you get married, divorced, legally separated, or your spouse dies); a change in the number of your dependents (a birth, adoption, or a death of a dependent); or a change in employment status. For more examples of what constitutes a qualified life event and its impact. You can download the necessary form here: [www.fsafeds.com/public/pdf/FSAFEDS-QLE-Quick-Reference-Guide%20FINAL-s.pdf](http://www.fsafeds.com/public/pdf/FSAFEDS-QLE-Quick-Reference-Guide%20FINAL-s.pdf)

## Employee Eligibility

Eligible participants for the Health Care FSA are those Federal employees eligible to enroll in the FEHB Program. (Note that eligibility for the FEHBP is the key – you do not need to be enrolled in the FEHBP to elect an FSA.) All eligible Federal employees of Executive Branch agencies and other Federal employers who have agreed to offer the FSAFEDS program may make an election immediately

upon entry on duty, with the exception that temporary Federal employees are eligible only upon completion of one year of continuous service in their job position.

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

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

Only current employees may set aside income in flexible spending accounts. By law, Federal retirees are not eligible to maintain FSAs. (Non-Federal retirees are ineligible, as well.)

As stated above, employees can elect to participate during the annual open season, which is held in November and December. Employees who wish to re-enroll in the program must do so each year.

## Eligible Health Care Expenses

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

Health Care Expenses That Can Be Reimbursed Under an 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

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# Flexible Spending Accounts

*Continued*

- While not limited to the dollar amount in your HCFA 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 HCFA for long term care premiums or temporary continuation of coverage premiums.

You can use your FSA funds to pay for a variety of expenses for you, your spouse, and your dependents. The IRS determines which expenses can be reimbursed by an FSA. To find out which expenses are covered by FSAFEDS, select the account type you have from the list below:

- Health Care FSA - [www.fsafeds.com/explore/hcfa/expenses](http://www.fsafeds.com/explore/hcfa/expenses)
- Limited Expense Health Care FSA - [www.fsafeds.com/explore/lex-hcfa/expenses](http://www.fsafeds.com/explore/lex-hcfa/expenses)

These lists are extensive and represent the most common types of expenses, but they are not all-inclusive. Even though an item may be found in a list, it does not guarantee reimbursement. Any expenses that are listed as potentially eligible may require additional

documentation, such as a Letter of Medical Necessity [www.fsafeds.com/public/pdf/FSAFEDS-Letter-of-Medical-Necessity-Form%20FINAL-es.pdf](http://www.fsafeds.com/public/pdf/FSAFEDS-Letter-of-Medical-Necessity-Form%20FINAL-es.pdf), a prescription or an Explanation of Benefits, to be approved. Over-the-counter (OTC) products that require a prescription must include an adequate receipt and a copy of the label or packaging. Please see the Over-the-Counter (OTC) Quick Reference Guide [www.fsafeds.com/public/pdf/FSAFEDS-OTC-Expenses-Quick-Reference-Guide%20FINAL-s.pdf](http://www.fsafeds.com/public/pdf/FSAFEDS-OTC-Expenses-Quick-Reference-Guide%20FINAL-s.pdf) for more details.

## 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 Reimbursable under DCFSA

- 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.
- You can use your FSA funds to pay for a variety of expenses for you, your spouse, and your dependents. The IRS determines which expenses can be reimbursed by an FSA. To find out which expenses are covered by FSAFEDS, select the account type you have from the list below: Dependent Care FSA - [www.fsafeds.com/explore/dcfsa/expenses](http://www.fsafeds.com/explore/dcfsa/expenses).

These lists are extensive and represent the most common types of expenses, but they are not all-inclusive. Even though an item may be found in a list, it does not guarantee reimbursement. Any expenses that are listed as potentially eligible may require additional documentation, such as a

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# Flexible Spending Accounts

*Continued*

Letter of Medical Necessity ([www.fsafeds.com/public/pdf/FSAFEDS-Letter-of-Medical-Necessity-Form %20FINAL-es.pdf](http://www.fsafeds.com/public/pdf/FSAFEDS-Letter-of-Medical-Necessity-Form%20FINAL-es.pdf)) a prescription or an Explanation of Benefits, to be approved. Over-the-counter (OTC) products that require a prescription must include an adequate receipt and a copy of the label or packaging. Please see the Over-the-Counter (OTC) Quick Reference Guide [www.fsafeds.com/public/pdf/FSAFEDS-OTC-Expenses-Quick-Reference-Guide%20FINAL-s.pdf](http://www.fsafeds.com/public/pdf/FSAFEDS-OTC-Expenses-Quick-Reference-Guide%20FINAL-s.pdf) for more details.

## **Making a Claim**

Generally, to make a claim you must complete and submit a claim form, along with supporting documentation, with FSAFEDS to be reimbursed. To obtain a copy of a claim form, go to: [www.fsafeds.com/GEM/](http://www.fsafeds.com/GEM/). For information on filing a claim, visit: [www.fsafeds.com/](http://www.fsafeds.com/).

# Federal Employees Retirement System

Congress created the Federal Employees Retirement System (FERS) in 1986, and it became effective on January 1, 1987. Since that time, new Federal civilian employees who have retirement coverage are covered by FERS.

FERS is a retirement plan that provides benefits from three different sources: a Basic Benefit Plan, Social Security, and the Thrift Savings Plan Congress created the Federal Employees Retirement System (FERS) in 1986, and it became effective on January 1, 1987. Since that time, new Federal civilian employees who have retirement coverage are covered by FERS.

FERS is a retirement plan that provides benefits from three different sources: a Basic Benefit Plan, Social Security, and the Thrift Savings Plan (TSP). Two of the three parts of FERS (Social Security and the TSP) can go with you to your next job if you leave the Federal Government before retirement. The Basic Benefit and Social Security parts of FERS require you to pay your share each pay period. Your agency withholds the cost of the Basic Benefit and Social Security from your pay as payroll deductions. Your agency pays its part too. Then, after you retire, you receive annuity payments each month for the rest of your life.

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

For more information about TSP, go to [www.tsp.gov/index.shtml](http://www.tsp.gov/index.shtml). See the Social Security Administration website: [www.ssa.gov/](http://www.ssa.gov/), for more information about the Social Security portion of your retirement benefit. This website covers the Federal Employees Retirement System. Through the menu links on the left, you can find information about the following FERS retirement topics:

## Eligibility

There are four categories of benefits in the Federal Employees Retirement System (FERS) Basic Benefit Plan: Immediate, Early, Deferred, and Disability.

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

If you were born	Your MRA is
Before 1948	55
In 1948	55 and 2 months
In 1949	55 and 4 months
In 1950	55 and 6 months
In 1951	55 and 8 months
In 1952	55 and 10 months
In 1953-1964	56
In 1965	56 and 2 months
In 1966	56 and 4 months
In 1967	56 and 6 months
In 1968	56 and 8 months
In 1969	56 and 10 months
In 1970 and after	57

## FERS Civilian Service

Creditable Service under FERS Usually Includes

- Federal covered service, that is, service in which the individual's pay is subject to FERS retirement deductions, such as service under a career or career conditional appointment;
- Unused Sick Leave under FERS can be used to increase an individual's total creditable service for annuity computation purposes only;

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# Federal Employees Retirement System

*Continued*

- Federal service performed before 1989, where an employee's pay is not subject to retirement deductions, such as, service under a temporary appointment, as long as a deposit is paid. There are a few exceptions to the rule that the service must have been performed before 1989.

Those exceptions are:

- Part-time, Intermittent, Temporary "PIT" service performed abroad after December 31, 1988, and before May 24, 1998, under a temporary part-time or intermittent appointment pursuant to sections 309 and 311 of the Foreign Service Act of 1980.
- Service performed under the Foreign Service Pension System.
- Service as a Senate Employee Child Care Center worker.
- Service as a volunteer or volunteer leader in the Peace Corps
- Service as a VISTA volunteer.
- Service before 12/31/1990 with either the Democratic or Republican Senatorial Campaign or National Congressional Committees
- Service before 12/21/2000 with the Library of Congress Child Development Center

- Service as a Senior Official.
- Congressional Employees that do not elect program coverage and are subject to the Social Security Amendments of 1983.
- Service performed under a Federal Reserve Bank Plan.
- Non-appropriated fund instrumentality (NAF) service under P.L. 107-107 that can be used for title to an annuity under the FERS, but not in the computation.
- CSRS refund service that flips to FERS.

**Deposit:** A deposit is the payment for a period of employment when retirement deductions were not withheld from your salary. The deposit amount is, generally, 1.3% of salary plus interest. You are not required to make this type of payment. However, not making the payment will eliminate this service from being used for title or computation purposes.

## **Retirement Deductions Never Withheld**

Generally, nondeduction service cannot be credited for title or computation unless it was performed before 1989 and a deposit is made.

## **Deposit for Service Ending before January 1, 1989 and Covered by FERS**

You can make a deposit for creditable Federal Employees Retirement System (FERS)

service you performed before 1989 during which retirement deductions were not withheld from your pay. The deposit amount is, generally, 1.3% of salary plus interest. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged to the date the deposit is paid in full or annuity begins, whichever is earlier. Interest is applied at the rates described in the interest rate table [www.opm.gov/retirement-services/benefits-officers-center/reference-materials/#url=l](http://www.opm.gov/retirement-services/benefits-officers-center/reference-materials/#url=l). If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit.

## **Deposit for Service Ending after January 1, 1989 and Covered by FERS**

With certain minor exceptions, a Federal Employees Retirement System (FERS) employee cannot make a deposit for non-contributory service performed after January 1, 1989.

## **Redeposit**

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

## **If You Received a Refund of Your Retirement Deductions**

If you receive a refund of FERS deductions and were covered by FERS on or after



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# Federal Employees Retirement System

*Continued*

October 28, 2009, you may repay (or redeposit) any FERS deductions previously refunded. You may also redeposit any CSRS deductions previously refunded that covered CSRS service and is now credited under FERS rules.

Interest is charged from the date of the refund and compounded annually. Interest is charged to the date full payment is made or the date annuity begins, whichever is earlier. For more information, [www.opm.gov/retirement-services/benefits-officers-center/reference-materials/#url=l](http://www.opm.gov/retirement-services/benefits-officers-center/reference-materials/#url=l). If you do not pay for a period of this type of service, you will receive credit in determining your eligibility to retire but will not receive credit for this service in computing your retirement benefit.

## **Exception for Individuals with a Portion of Their FERS Annuity Computed under CSRS Rules**

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

## **Making Payment to Get Credit for Service**

You should apply to make a payment by completing a Standard Form 3108, ([www.opm.gov/forms/pdf\\_fill/sf3108.pdf](http://www.opm.gov/forms/pdf_fill/sf3108.pdf) Application to Make Service Credit Payment/ FERS). You should use this form even if a portion of your FERS annuity will be computed

under CSRS rules.

## **If You Are a Federal Employee**

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

## **If You Are Not Currently a Federal Employee**

Send your completed application directly to:

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

## **If You Are Within Six Months of Retirement**

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

## **Military Service - Credit for Military Service**

As a general rule, military service in the Armed Forces of the United States is creditable for retirement purposes if it

was active service terminated under honorable conditions, and performed prior to your separation from civilian service for retirement.

## ***Service Performed Before 1957***

- Creditable without deposit.

## ***Service Performed on or after January 1, 1957***

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

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

- If your military service was performed before the effective date of your FERS coverage, the military service will be credited under CSRS rules [www.opm.gov/retirement-services/csrs-information/military-retired-pay/](http://www.opm.gov/retirement-services/csrs-information/military-retired-pay/).

## **Computation**

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

## **High-3 Average Salary**

Your “high-3” average pay is the highest average basic pay you earned during any 3

# Federal Employees Retirement System

*Continued*

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

## Computation for Non-Disability Retirements

Here is how the basic FERS annuity formula is calculated:

### FERS Basic Annuity Formula

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

Special Provision for Air Traffic Controllers, Firefighters, Law Enforcement Officers, Capitol Police, Supreme Court Police, or Nuclear Materials Couriers

- 1.7% of your high-3 average

salary multiplied by your years of service which do not exceed 20; plus

- 1% of your high-3 average salary multiplied by your service exceeding 20 years.

### Transferred to the Federal Employees Retirement System (FERS)

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

- Civil Service Retirement System (CSRS).
- Social Security.

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

- FERS Component.
- CSRS Component.

### If retired under the special provision for firefighters, law enforcement officers, or nuclear material couriers

- 2.5% of the years and months of CSRS law enforcement officer,

firefighter or nuclear material courier service up to 20 years multiplied times the high-3 average salary.

### PLUS

- 2% of the remaining years of service times the high 3 average salary.

### Reductions in Non-Disability Annuity Age

If you retire under the MRA+10 provision:

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

### FERS Basic Annuity Formula

Age	Formula
Under Age 62 at Separation for Retirement, <b>OR</b> Age 62 or Older With Less Than 20 Years of Service	1 percent of your high-3 average salary for each year of service
Age 62 or Older at Separation With 20 or More Years of Service	1.1 percent of your high-3 average salary for each year of service

# Federal Employees Retirement System

Continued

## FERS Component

Computation of FERS Component	
Age	Formula
Under Age 62 at Separation for Retirement, <b>OR</b> Age 62 or Older With Less Than 20 Years of Service	1 percent of your high-3 average salary for each year of service
Age 62 or Older at Separation With 20 or More Years of Service	1.1 percent of your high-3 average salary for each year of service

## CSRS Component

Computation of CSRS Component	
Duration	Formula
First 5 years of CSRS service	1 percent of your high-3 average salary for each year of service
Second 5 years of CSRS service	1.75% of your high-3 average salary for each year of service
All years of CSRS service over 10	2% of your high-3 average salary for each year of service

reduction applies to both the Civil Service Retirement System and the Federal Employees Retirement System components of your annuity, if you transferred to FERS and part of your annuity is computed under the CSRS provision.

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

- If you retire on a discontinued service retirement or early optional retirement because your agency was undergoing a major reorganization, reduction-in-force or transfer of function, and part of your benefit was computed under CSRS rules, the CSRS

portion will be reduced if you are under age 55. The reduction is 1/6 of 1% (2% per year) for every month that you are under age 55 at the time of retirement.

### Survivor Benefits

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

### Unpaid or Refunded Service

If you have a CSRS component in your annuity:

- The CSRS portion of your benefit will be reduced by 10% of any deposit owed for CSRS non-deduction service performed before October 1, 1982, unless the deposit was paid before retirement.

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

### Alternative Annuity

Your benefit may be reduced if you elected a lump sum

# Federal Employees Retirement System

*Continued*

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

## FERS Disability Retirement Computation

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

FERS Disability Computation if:

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

You receive your "earned"

annuity based on the general FERS annuity computation, as follows

FERS Disability Computation if:

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

## Reductions in Disability Annuity

### Survivor Benefits

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

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

### Unpaid Service if "Earned" Annuity Paid

If you have a CSRS component in your annuity, the CSRS

portion of your benefit will be reduced by 10% of any deposit owed for CSRS non-deduction service performed before October 1, 1982, unless the deposit was paid before retirement.

## Cost of Living Adjustments

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

- You are over age 62; or
- You retired under the special provision for air traffic controllers, law enforcement personnel, or firefighters; or
- You retired on disability, except when you are receiving a disability annuity based on 60% of your high-3 average salary. This is generally during the first year of receiving disability benefits; or
- Your retirement includes a portion computed under Civil Service Retirement System (CSRS) rules.

## FERS Disability Computation

Annuity Formula	
Age	Formula
If age 62 or older at retirement with less than 20 years of service, <b>OR</b> under age 62 qualified for an immediate voluntary retirement	1 percent of your high-3 average salary for each year of service
If age 62 or older with 20 or more years of service	1.1 percent of your high-3 average salary for each year of service

# Federal Employees Retirement System

Continued

## FERS Disability Computation

Annuity Formula	
Duration	Description
For the first 12 months	1 percent of your high-3 average salary for each year of service
After the first 12 months	1.1 percent of your high-3 average salary for each year of service
<p><b>When you reach age 62 your annuity will be recomputed using an amount that essentially represents the annuity you would have received if you had continued working until the day before your 62nd birthday and then retired under FERS.</b></p>	<p>If your actual service, plus the credit for time as a disability annuitant equals less than 20 years:</p> <ul style="list-style-type: none"> <li>1 percent of your high-3 average salary for each year of service</li> </ul> <p>If your actual service, plus the credit for time as a disability annuitant equals 20 or more years:</p> <ul style="list-style-type: none"> <li>1.1 percent of your high-3 average salary for each year of service</li> </ul> <p>Total Service used in the computation will be increased by the amount of time you have received a disability annuity.</p> <p>Average Salary used in the computation will be increased by all FERS cost-of-living increases paid during the time you received a disability annuity.</p>

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

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

### Disability

*When to Consider Applying for Disability Retirement*

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

### Eligibility Requirements

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

- You must have completed at least 18 months of Federal civilian service which is creditable under the Federal

Employees Retirement System (FERS).

- You must, while employed in a position subject to the retirement system, have become disabled, because of disease or injury, for useful and efficient service in your current position.
- The disability must be expected to last at least one year.
- Your agency must certify that it is unable to accommodate your disabling medical condition in your present position and that it has considered you for any vacant position in the



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# Federal Employees Retirement System

*Continued*

same agency at the same grade or pay level, within the same commuting area, for which you are qualified for reassignment.

- You, or your guardian or other interested person, must apply before your separation from service or within one year thereafter. The application must be received by either OPM or your former employing agency within one year of the date of your separation. This time limit can be waived only if you were mentally incompetent on the date of separation or within one year of this date.
- You must apply for social security disability benefits. Application for disability retirement under FERS requires an application for social security benefits. If the application for social security disability benefits is withdrawn for any reason, OPM will dismiss the FERS disability retirement application upon notification by the Social Security Administration.

## ***Applying for FERS Disability Retirement***

You must complete the following forms:

- SF 3107, Application for Immediate Retirement; and
- SF 3112, Documentation In Support of Disability Retirement;

- If you are under age 62, documentation that you have applied for social security disability benefits after you separated from your agency.

### ***If you have been separated from Federal service for 31 days or less***

Your employing agency will help you complete these forms and will forward the completed forms to OPM. However, it is your responsibility to obtain all of the information necessary for OPM to make a decision on your claim. This includes providing all of the required forms and documents.

### ***If you have been separated from Federal service for more than 31 days***

Your application for disability retirement must be received by OPM within one year after the date of your separation. If you have been separated from Federal service for more than 31 days, your former employing agency may no longer have your personnel records and may not be able to recover them in time to process your disability retirement application and submit it to OPM within the one-year time limit. Therefore, you should submit your application directly to OPM rather than to your agency.

U.S. Office of Personnel Management Retirement Operations Center  
Post Office Box 45  
Boyers, PA 16017

- Ask your former supervisor and employing agency to complete SF 3112B, SF 3112D and SF 3112E and give them to you so you can send them to OPM.
- If you think you will not have the completed package in time to meet the one-year time limit, send OPM the completed SF 3107 and SF 3112A, along with the name, address and telephone number of the person(s) you have asked to complete the remaining forms.

### ***Periodic Medical Exams to Keep Your Disability Benefit***

When your application for disability retirement is approved, it may be determined that based on your medical condition you will periodically have to provide us with current medical information in order to continue receiving benefits.

### ***Paying for Periodic Medical Exams***

You are responsible for paying for any medical exams that are needed. If you do not fulfill the request for evidence of continuing disability, it is likely that your benefit payments could be suspended until your continuing eligibility is established.

### ***Changing Your Retirement to Disability Retirement***

You can submit an application for disability retirement within one year after your separation from employment provided you

# Federal Employees Retirement System

*Continued*

did not elect the alternative form of annuity with a lump sum payment equal to your retirement contributions. You and your former employing agency must submit evidence that shows you became disabled while employed in a position subject to FERS coverage, and you and your agency must provide evidence that you were unable to perform useful and efficient service because of disease or injury in the position you retired from. Your former agency will also have to certify that it could not reasonably accommodate your condition. Moreover, you must not have declined an offer of reassignment to a vacant position in the commuting area at the same grade or pay level and tenure.

If you change to disability retirement, you will lose your special retirement supplement. This supplement is not paid to individuals who retire on disability.

## Termination of FERS Disability Benefit

If you are under age 60, your benefit will stop if:

- You are found to be medically recovered from your disabling condition;
- In any calendar year your income from wages and self-employment is at least 80 percent of the current rate of basic pay from the position you retired from (also known as restoration to earning capacity); or
- You are reemployed in the Federal service in a position equivalent to what you held at retirement (also called “administratively recovered”).

Reinstatement of Disability Benefit if it Stops

- If your disability benefit stopped because you were found recovered either medically or administratively, your benefit can resume only if the disability recurs and you do not exceed the 80 percent earnings limitation.

- If your disability stopped because you exceeded the earnings limitation, your benefit can resume effective the first of the year after you no longer exceed the 80 percent earnings limit.

## Disability Retirement Computation

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

FERS Disability Computation if:

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

You receive your “earned” annuity based on the general FERS annuity computation,

## FERS Disability Computation

Age	Formula
<b>If age 62 or older at retirement with less than 20 years of service, or</b>	1 percent of your high-3 average salary for each year of service
<b>Under age 62 qualified for an immediate voluntary retirement</b>	
<b>If age 62 or older with 20 or more years of service</b>	1.1 percent of your high-3 average salary for each year of service

# Federal Employees Retirement System

Continued

## FERS Disability Computation

Duration	Description
<b>For the first 12 months</b>	60% of your high-3 average salary minus 100% of your Social Security benefit for any month in which you are entitled to Social Security benefits However, you are entitled to your “earned” annuity, if it is larger than this amount.
<b>After the first 12 months</b>	40% of your high-3 average salary minus 60% of your Social Security benefit for any month in which you are entitled to Social Security disability benefits. However, you are entitled to your “earned” annuity, if it is larger than this amount.
<b>When you reach age 62 your annuity will be recomputed using an amount that essentially represents the annuity you would have received if you had continued working until the day before your 62nd birthday and then retired under FERS.</b>	If your actual service, plus the credit for time as a disability annuitant equals less than 20 years: 1 percent of your high-3 average salary for each year of service If your actual service, plus the credit for time as a disability annuitant equals 20 or more years: 1.1 percent of your high-3 average salary for each year of service Total Service used in the computation: <ul style="list-style-type: none"> <li>will be increased by the amount of time you have received a disability annuity</li> </ul> Average Salary used in the computation: <ul style="list-style-type: none"> <li>will be increased by all FERS cost-of-living increases paid during the time you received a disability annuity</li> </ul>

as follows FERS Disability Computation if:

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

*Note: Disability annuities for individuals who performed service in an enhanced position such as law enforcement officer, firefighter, nuclear materials courier, air traffic controller, Capitol Police, or Supreme Court Police will be*

*credited at the higher 1.7% for that service.*

### **Reductions in Disability Annuity**

#### *Survivor Benefits*

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

equals 25%, the reduction is 5%.

### *Unpaid Service if “earned” annuity paid*

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

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# Federal Employees Retirement System

*Continued*

## **Cost of Living Adjustments for FERS Disability Retiree**

If you are under age 62, and your annuity was computed using 60% of your high-3 average salary, COLA's are not payable for the first 12 months. COLAs which occur after this 12-month period are payable. If you are age 62 at retirement or if you meet the age and service requirements for an immediate FERS annuity, all cost-of-living adjustments occurring after the commencing date of annuity are payable.

## **Entitlement to Other Benefits-Effect on FERS Disability Benefit:**

### *Social Security Benefits*

If you are under age 62 and your annuity benefits were computed using either 60% or 40% of your high-3 average salary, the Office of Personnel Management will reduce your monthly annuity by all or a portion of your Social Security benefits. While you are receiving an annuity computed using the 60% computation, OPM must reduce your monthly annuity by 100% of any Social Security disability benefit to which you are entitled. While you are receiving an annuity computed using the 40% computation, your monthly annuity will be reduced by 60% of any Social security disability benefit to which you are entitled. This reduction only applies for months in which you are concurrently entitled to both FERS and Social Security benefits.

Receipt of disability benefits from the Office of Personnel Management and total or partial disability benefits from the U.S. Department of Labor, Office of Workers' Compensation Programs (OWCP) at the same time

Generally, you must decide which benefit is most advantageous for you and elect to receive that one. If you decide you want to receive Office of Workers' Compensation Programs (OWCP) benefits, payments from the Office of Personnel Management will be suspended. However, if your OWCP benefits stop, you can ask us to pay your FERS disability benefit. You can receive an OWCP "Scheduled Award" and the Office of Personnel Management benefits at the same time. Contact us to tell us if you are awarded workers' compensation benefits and see if you need to make an election between benefits [www.opm.gov/retirement-services/contact-retirement/](http://www.opm.gov/retirement-services/contact-retirement/).

Refer to the Office of Workers' Compensation Programs (OWCP) for additional information about workers' compensation benefits [www.dol.gov/dol/topic/workcomp/](http://www.dol.gov/dol/topic/workcomp/).

## **Early Retirement**

### *MRA+10 Retirement*

If you have 10 or more years of service, you can retire at the Minimum Retirement Age

(MRA).

## **Age Reduction**

Under this type of retirement, your annuity will be reduced for each month that you are under age 62. The reduction is 5% per year (5/12 of a percent per month). However, your annuity will not be reduced if you completed at least 30 years of service, or if you completed at least 20 years of service and your annuity begins when you reach age 60.

You can reduce or eliminate this age reduction if you choose to have your annuity begin at a date later than your Minimum Retirement Age. You can choose any beginning date between your MRA and 2 days before your 62nd birthday.

## **Early Optional Retirement**

If your agency undergoes a major reorganization, reduction in force, or transfer of function, and a significant percentage of the employees will be separated, or will be reduced in pay, the head of your agency can ask the U.S. Office of Personnel Management (OPM) to permit early optional retirement for eligible employees. If your agency gets approval to permit early optional retirements, eligible employees will be notified of the opportunity to retire voluntarily.

# Federal Employees Retirement System

Continued

<b>Determine Your MRA</b>	
<b>If your year of birth is...</b>	<b>Your Minimum Retirement Age is...</b>
Before 1948	55 years
In 1948	55 years, and 2 months
In 1949	55 years, and 4 months
In 1950	55 years, and 6 months
In 1951	55 years, and 8 months
In 1952	55 years, and 10 months
In 1953-1964	56 years
In 1965	56 years, and 2 months
In 1966	56 years, and 4 months
In 1967	56 years, and 6 months
In 1968	56 years, and 8 months
In 1969	56 years, and 10 months
In 1970 and after	57 years

## *Discontinued Service Retirement Because of an Involuntary Separation*

The term “involuntary separation” means any separation against the will and without the consent of the employee, other than “for cause” for misconduct or delinquency. The most common cause of an involuntary separation is a reduction in force. Another frequent cause for an involuntary separation is when the location of an office or unit is moved to an area outside the commuting area of the old worksite\*. Employees who decline reasonable offers of other positions are not eligible for discontinued service annuities.

Exception: If, when you accepted your current position, you were placed under a general mobility agreement whereby you would be subject to geographic reassignment, you would not be eligible for discontinued service annuity rights if your position is moved to an area outside the commuting area.

If your agency:

- Makes you a reasonable offer and you choose to decline the offer and resign, you will not qualify for discontinued service retirement, or
- Separates you by adverse action procedures for not complying with a directed reassignment to a position that is a “reasonable offer” your separation would not be qualifying for discontinued service.

### **Reasonable Offer**

- Written offer of another position in your agency and commuting area for which you are qualified, and
- Which is no more than two grades or pay levels below your current grade or pay level.

### **Commuting Area**

Geographic area that usually constitutes one area for employment purposes. It includes any population center (or two or more neighboring ones) and the surrounding localities in which people live and reasonably can be expected to travel back and forth daily in their usual employment.

<b>Age</b>	<b>Years of Service Needed (At least 5 years must be civilian service)</b>
50	20
Any	25



# Federal Employees Retirement System

*Continued*

## Annuity Computation

Here is how the basic FERS annuity formula is calculated:

FERS Basic Annuity Formula	
Age	Formula
<ul style="list-style-type: none"> <li>Under Age 62 at Separation for Retirement or</li> <li>Age 62 or Older With Less Than 20 Years of Service</li> </ul>	1 percent of your high-3 average salary for each year of service
<ul style="list-style-type: none"> <li>Age 62 or Older at Separation With 20 or More Years of Service</li> </ul>	1.1 percent of your high-3 average salary for each year of service

### Eligibility Requirements for Early Optional Retirement and Discontinued Service Retirement Because of an Involuntary Separation

#### *Reductions in Annuity*

In addition to the regular reductions for survivor benefits, unpaid service and refunded service, your annuity would be subject to the following age reduction:

#### *If You Retire under the MRA+10 Provision*

- If you have 10 or more years of service and retire at the Minimum Retirement Age (MRA), your benefit will be reduced by 5/12 of 1% for each full month (5% per year) that you were under age 62 on the date your annuity began. However, your annuity will not be reduced if you complete at least 30 years of service, or if you complete at least 20 years of service and your annuity begins when you reach age 60.

- If you postpone the beginning date of your annuity, the age reduction will be reduced or eliminated.

- The age reduction applies to both the Civil Service Retirement System and the Federal Employees Retirement System components of your annuity, if you transferred to FERS and part of your annuity is computed under the CSRS provision.

#### *If You Retire under the Discontinued Service or Early Optional Retirement Provision with a CSRS Component*

- If you retire on a discontinued service retirement or early optional retirement because your agency was undergoing a major reorganization, reduction-in-force or transfer of function, and part of your benefit was computed under CSRS rules, the CSRS portion will be reduced if you are under age 55. The

reduction is 1/6 of 1% (2% per year) for every month that you are under age 55 at the time of retirement.

## Voluntary Retirement

### *Age and Service Requirements for Voluntary Retirement*

Eligibility is based on your age and the number of years of creditable service and any other special requirements. If you meet one of the following sets of requirements, you may be eligible for a voluntary immediate retirement benefit. An immediate annuity is one that begins within 30 days after your separation.

### *MRA (Minimum Retirement Age) + 10 Retirement*

#### Age Reduction

If you have 10 or more years of service and are retiring at the Minimum Retirement Age, your annuity will be reduced for each month that you are under age 62. The reduction is 5%

# Federal Employees Retirement System

*Continued*

## *Age and Service Requirements for Voluntary Retirement*

Type of Retirement	Minimum Age	Minimum Service	Special Requirements
<b>Voluntary (Optional)</b>	62	5	None
	60	20	None
	MRA*	30	None
	MRA*	10	None Note: Annuity is reduced by 5% for each year the employee is under age 62.)
	Any age	25	You must retire under special provisions for air traffic controllers, law enforcement, firefighter or Military Reserve Technician personnel.
	50	20	
	Any age	25	OPM must have determined that your agency is undergoing a major reorganization, reduction-in-force, or transfer of function.
	50	20	

per year (5/12 of a percent per month). However, your annuity will not be reduced if you completed at least 30 years of service, or if you completed at least 20 years of service and your annuity begins when you reach age 60. You can reduce or eliminate this age reduction by postponing the beginning date of your annuity.

### ***Postponing the Beginning Date of Annuity to Reduce or Avoid the Age Reduction***

You can reduce or eliminate the age reduction if you choose to have your annuity begin at a date later than the Minimum Retirement Age (MRA). You can choose any beginning date between your MRA and 2 days

before your 62nd birthday. However, you cannot begin your annuity while you are reemployed.

If you postpone the beginning date of your annuity, you should be aware of the following:

### ***Life Insurance***

You cannot continue your life insurance coverage unless you are receiving an annuity. Therefore, if you postpone the beginning date of your annuity, your life insurance enrollment will terminate. When your annuity begins, the life insurance coverage you had when you separated from your employment will resume.

### ***Health Insurance***

If you postpone the beginning date of your annuity, you will be eligible to temporarily continue your health benefits coverage for 18 months from the date of separation from your employing agency; however, you must contact your agency within 60 days and pay the total premium, plus a 2% administrative charge. When your annuity payments begin, you will again have the opportunity to enroll in a health benefits plan under the regular Federal Employees Health Benefits Program, and OPM will pay the Government share of the premium.

# Federal Employees Retirement System

*Continued*

<b>Determine Your MRA</b>	
<b>If your year of birth is...</b>	<b>Your Minimum Retirement Age is...</b>
Before 1948	55 years
1948	55 years, and 2 months
1949	55 years, and 4 months
1950	55 years, and 6 months
1951	55 years, and 8 months
1952	55 years, and 10 months
1953-1964	56 years
1965	56 years, and 2 months
1966	56 years, and 4 months
1967	56 years, and 6 months
1968	56 years, and 8 months
1969	56 years, and 10 months
After 1969	57 years

## **Long-Term Care Insurance**

If you already have Long term care insurance Coverage when you separate for retirement, but postpone the commencing date of your annuity, your coverage will continue as long as you continue to pay premiums. If you are not enrolled in the Long-term care insurance Program when you separate for retirement, you can apply for enrollment any time after your separation, even if you postpone the commencing date of your annuity.

## **COLAs**

If you delay your annuity beginning date, your

annuity rate will not include any cost-of-living adjustments (COLAs) that occur before you begin to receive the annuity. Once your annuity begins, you will be entitled to COLAs on any portion of your annuity which was computed under CSRS rules. However, you will not receive COLAs on the FERS part of your benefit until you are 62.

## **Survivor Benefits**

If you defer receipt of your annuity and die before you begin to receive it, your spouse can still receive FERS survivor benefits.

## **Deferred Retirement**

If you are a former Federal employee who was covered by the Federal Employees Retirement System (FERS), you may be eligible for a deferred annuity at age 62 or the Minimum Retirement Age (MRA).

## **Age and Service Requirements**

You are eligible for a deferred annuity if you meet one of the following age and service requirements:

- You have completed at least 5 years of creditable civilian service, then you are eligible for a deferred annuity beginning the first day of the month after you reach age 62.
- You have completed at least 10 years of creditable service, including 5 years of civilian service, then you are eligible for a deferred annuity beginning the first day of the month after you reach the Minimum Retirement Age (MRA).\*

## **Age Reduction**

If you completed at least 10 years, but less than 30 years of creditable service before you left Federal service years, your annuity will be reduced if it begins before age 62. The only exception to this is if you had at least 20 years of service and your annuity begins when you reach age 60.

Your annuity will be reduced by 5/12 of 1% (5% per year) for each month by which your

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# Federal Employees Retirement System

*Continued*

benefit commencing date precedes your 62nd birthday. However, you can postpone the commencing date of your annuity to reduce or eliminate this age reduction.

## ***Health Benefits and Life Insurance Coverage***

If you receive a deferred annuity, you are not eligible to continue any health benefits or life insurance coverage you had while employed.

## ***Retiree Annuity Supplement***

Former employees who receive a deferred annuity are not eligible for the retiree annuity supplement.

## **Commencing Date of Deferred Retirement**

### ***Retirement with 10 or More Years of Service***

The annuity begins either:

- the first day of the month after the former employee attains the MRA; or
- later date specified by the retiree, in order to reduce or avoid the age reduction.

Retirement with At Least 5 Years but Less Than 10 Years of Service.

The annuity begins:

- first day of the month after the individual reaches age 62.

## **Survivor Annuity**

If you are married when your annuity begins, it will be computed with a reduction to provide a maximum survivor annuity (50% of your unreduced annuity) for your spouse upon your death. You can elect to provide a partial survivor annuity (25% of your unreduced annuity) or no survivor annuity; however, you must get your spouse's consent to elect either of these options. You can also elect a survivor annuity for a former spouse or an insurable interest survivor annuity.

## **Computation of Deferred Annuity**

Your deferred annuity is based on the length of service and high-3 average salary in effect when you separated from Federal service.

## **Applying for Deferred Annuity**

### ***Form to Use***

Use form RI 92-19 [www.opm.gov/forms/pdf\\_fill/ri92-19.pdf](http://www.opm.gov/forms/pdf_fill/ri92-19.pdf) Application for Deferred or Postponed Retirement to apply for deferred or postponed retirement annuity under the Federal Employees Retirement System.

### ***When to Apply***

Send your application to OPM approximately 60 days before you want your benefits to begin. Send your completed application to:

Office of Personnel  
Management Federal  
Employees Retirement System  
P.O. Box 45  
Boyers, PA 16017-0045

## **If You Die Before Applying for a Deferred Annuity**

If you have less than 10 years of creditable service or no eligible survivor, any contributions remaining in the retirement fund are paid in a lump sum (with interest) to your designated beneficiary or an individual in order of precedence as set by law.

If you have 10 or more years of creditable service for which withholdings or deposits remain in the Retirement fund (5 years of which is creditable civilian service) and your spouse was married to you at the time of your separation from Federal service, he/she would be eligible for a survivor annuity. Your surviving spouse may elect to receive a lump-sum payment of your retirement contributions in lieu of a survivor annuity.

## **FERS Annuity Supplement**

The FERS annuity supplement is paid in addition to gross monthly Federal Employees Retirement System (FERS) annuity benefits. It represents what you would receive for your FERS civilian service from the Social Security Administration (SSA) and is calculated as if you were eligible to receive SSA benefits on the day you retired. Eligibility for the annuity

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# Federal Employees Retirement System

*Continued*

supplement continues until the earlier of:

- The last day of the month before the first month for which you would be entitled to actual social security benefits; or
- The last day of the month in which you reach age 62.

## **Eligibility for the Annuity Supplement**

If you retire voluntarily on an immediate annuity which is not reduced for age, you may be eligible for the annuity supplement, in addition to your regular monthly FERS benefit. You may also receive the supplement if you retired involuntarily before attaining your Minimum Retirement Age (MRA) or voluntarily because of a major reorganization, reduction in force, or an early retirement for Members of Congress. However, in these three instances, you will not be eligible for the annuity supplement until you reach your Minimum Retirement Age (MRA). If you receive a deferred benefit, a disability benefit or an immediate MRA+10 benefit; you will not be eligible for the annuity supplement. If your annuity has a Civil Service Retirement System (CSRS) and a Federal Employees Retirement System (FERS) component, you can still receive an annuity supplement. However, you must have completed one full calendar year of service subject to FERS computation rules.

## **Computation of Annuity Supplement**

The FERS annuity supplement is computed as if you were age 62 and fully insured for a social security benefit when the supplement begins. OPM first estimates what your full career (40 years) social security benefit would be. Then the OPM calculates the amount of your civilian service under FERS and reduce the estimated full career social security benefit accordingly. For example, if your estimated full career social security benefit would be \$1,000 and you had worked 30 years under FERS, the OPM would divide 30 by 40 (.75) and multiply ( $\$1,000 \times .75 = \$750$ ). The result would be your FERS annuity supplement, prior to any reductions.

## **Changes in the Amount of the Supplement**

Like social security benefits, the FERS annuity supplement is subject to an earnings test. It is reduced if you earn more than the social security exempt amount of earnings in the immediately preceding year. The supplement is reduced by \$1.00 for every \$2.00 of earnings over the minimum level. It is possible that the supplement could reduce to \$0. However, the FERS basic benefit will not be reduced. If you are receiving a supplement, you must report your earnings to OPM. You will receive instructions on how to report your earnings, once you begin receiving the annuity supplement.

## **Minimum Level of Earnings**

The amount you may earn without affecting your FERS annuity supplement is determined by the Social Security Administration each year. It increases with the annual increases in average wages for the national workforce.

## **Definition of Earnings**

The FERS basic benefit is not considered earnings when determining your earnings for the earnings test. Earnings for the year consist of the sum of wages for service performed in the year, plus all net earnings from self-employment for the year, minus any net loss from self-employment for the year.

## **Service Credit**

### *Civilian Service*

Under FERS, you can make a payment for the following types of service, in order to credit it toward your retirement:

- Any period of creditable civilian service performed before 1989 during which no retirement deductions were withheld from your pay.
- Any period of civilian service during which retirement deductions were withheld from your pay and refunded to you based on an application you filed before you became covered by FERS.



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# Federal Employees Retirement System

*Continued*

- Any period of Peace Corps or VISTA volunteer service (excluding training time) regardless of when the service was performed.

Payment cannot be made for:

- Any other service which is not creditable under FERS.
- Periods of leave without pay.
- Time covered by a lump sum leave payment.

## **If Retirement Deductions Were Not Withheld During the Period of Service**

You can pay a deposit for the service, if it was performed before 1989. FERS deposits (excluding Peace Corps and VISTA volunteer service) are normally 1.3% of your basic pay for the service, plus interest. The 1.3% rate applies regardless of whether deductions would have been taken at that rate, if they had been taken at the time the service was performed.

## **Deposit for Service Ending before January 1, 1989 and Covered by FERS**

You can make a deposit for creditable Federal Employees Retirement System (FERS) service you performed before 1989 during which retirement deductions were not withheld from your pay. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged to the date the deposit is paid in full or annuity

begins, whichever is earlier. If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit.

## **Deposit for Service Ending on/after January 1, 1989 and Covered by FERS**

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

If You Transferred To FERS from CSRS, the Following Rules Apply To the CSRS Portion of Your Annuity

## **Deposit for Service Ending before October 1, 1982 and Covered by CSRS**

You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed before October 1982 during which retirement deductions were not withheld from your pay. You will receive retirement credit for all of this service whether or not you pay the deposit. However, unless you pay the deposit in full, your annual benefit will be reduced by 10% of the deposit amount due at retirement. Also, any annuity due your surviving spouse will be reduced proportionately. Interest is charged from the midpoint of periods of service through the date of the bill. If full payment is received within 30 days after

the bill is issued, no additional interest is charged. Otherwise, interest will be computed after each payment at the rate of 3% for the interval since the most recent payment you have made. You may pay installments of \$50 or more, but paying the full amount minimizes further interest charges. After each payment you will receive an updated account statement.

## **Deposit for Service Ending on/after October 1, 1982 and Covered by CSRS**

You can make a deposit for creditable Civil Service Retirement System (CSRS) service you performed on or after October 1982 during which retirement deductions were not withheld from your pay. Unless you pay the deposit in full, you will not receive credit for the service in the computation of your annuity. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged through December 31 of the year before the year in which the bill is being issued. If full payment is received by December 31 of the year in which the bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time.

## **If Retirement Deductions Were Withheld from Your Pay and Later Refunded to You**

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# Federal Employees Retirement System

*Continued*

## **Redeposit Service and Covered by FERS**

You can repay any refund you received for any period of civilian service during which retirement deductions were withheld from your pay and later returned to you before you were covered by the Federal Employees Retirement System (FERS). Interest is charged from the date of the refund and compounded annually. Interest is charged to the date full payment is made or the date annuity begins, whichever is earlier. If you do not pay for a period of this type of service, you will not receive credit in determining your eligibility to retire or in computing your retirement benefit. Interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. Interest is charged at a variable rate determined by the Department of the Treasury every year as described in the table. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time.

## **Redeposit Service Ending before March 1, 1991 and Covered by CSRS**

You can repay the refund you received for periods of civilian service ending before March 1, 1991, during which retirement deductions were withheld from your pay and later refunded to

you. However, you will receive credit for all of this service whether or not you make the payment (unless you retire under the disability provisions of the law). Your annuity will be subject to a permanent actuarial reduction based on the amount of redeposit and interest due and your age at retirement. The actuarial reduction will not be applied to any annuity due your surviving spouse. You can avoid the reduction by repaying the refund.

If the refund was paid before October 1, 1982, interest is charged up through the billing date. If full payment is received within 30 days after the bill is issued, no additional interest will be charged. Otherwise, interest will be computed after each payment at the rate of 3 percent for the interval since the most recent payment.

If the refund was paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is charged at a variable rate determined by the Department of the Treasury every year as described in the table.

## **Redeposit Service Ending on or after March 1, 1991 and Covered by CSRS**

You can repay the refund you received for periods of civilian service ending on or after March 1, 1991, during which retirement deductions were withheld from your pay and later refunded to you. Unless you pay the redeposit in full, you will not receive credit for this service in the computation of your annuity. Consequently, your annuity, as well as any annuity due your surviving spouse, will be reduced. For refunds paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is charged at a variable rate determined by the Department of the Treasury every year as described in the table.

## **Procedures for Paying a Deposit or Redeposit**

You should apply to make a payment by completing a Standard Form 3108 Application to Make Service Credit/FERS ([www.opm.gov/forms/pdf\\_fill/SF3108.pdf](http://www.opm.gov/forms/pdf_fill/SF3108.pdf)). If you are within six months of retirement, you should submit your request to make the

# Federal Employees Retirement System

*Continued*

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

## Military Service

To receive FERS credit for military service performed after 1956, you must pay a deposit.

Deposit Information	
Dates of Service	Amount of Deposit Due
Through 12/31/98	3% of military basic pay
01/01/99 through 12/31/99	3.25% of military basic pay
01/01/00 through 12/31/00	3.4% of military basic pay
01/01/01 to the present	3% of military basic pay

If you are entitled to have part of your retirement computed under CSRS Rules, military service performed prior to your transfer to FERS comes under the following CSRS deposit rules:

The CSRS deposit is 7 percent of your military basic pay

- If you were first employed in a civilian position before

October 1, 1982, you do not pay the deposit and you are eligible for a Social Security benefit at age 62, the CSRS part of your annuity will be recomputed at age 62 to delete credit for the post-1956 military service.

- If you were first hired on or after October 1, 1982, you will not receive any credit for post-1956 military service if you do not make the deposit for it.

### *Procedures for Paying the Post-1956 Military Service Deposit*

You must make the deposit payment for your post-1956 military service before you stop working for the government. It is paid to your employing agency. You should ask your local servicing personnel center for help in determining whether to make this payment. They can provide personalized assistance because they have your employment records.

### *Military under USERRA*

The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) covers persons who perform duty in the “uniformed services.” This includes not only the armed forces and the reserves but also the National Guard and the commissioned corps of the Public Health Service. These individuals are entitled to be restored to the position he or she would have attained had

the employee not entered the uniformed service, provided the employee:

- Gave the agency advance notice of departure except where prevented by military circumstances; and
- Was released from uniformed service under honorable conditions; and
- Served no more than a cumulative total of 5 years; and
- Applies for restoration within the appropriate time limits.

As with all military deposits, the agency must handle military deposits under USERRA. The military deposit may be calculated based on military earnings or alternatively, the deposit can be calculated based on the retirement deductions the employee would have paid on the civilian salary during the same period, if it is less.

### *Former Employees Options*

#### *If You Leave Your Government Job before Becoming Eligible for Retirement:*

- You can ask that your retirement contributions be returned to you in a lump sum payment; or
- If you have at least five years of creditable service, you can wait until you are at retirement age to apply for monthly retirement benefit

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# Federal Employees Retirement System

*Continued*

payments. This is called a deferred retirement. See the previous section on deferred retirement for additional information.

Historically, if you receive a refund of FERS deductions after the effective date of your FERS coverage, you could never redeposit these funds, and the period covered by the refund would not be used to establish title to an annuity or in calculating the annuity benefit ([www.opm.gov/retirement-services/fers-information/creditable-service/](http://www.opm.gov/retirement-services/fers-information/creditable-service/)). However, one of the provisions of PL 111-84 allows individuals who were covered under the FERS system on or after October 28, 2009, to make a redeposit for refunded FERS service. If the redeposit is not paid, the service is still used toward title and in the average salary computation, but not to compute the annuity benefit. Refer to information about retirement eligibility ([www.opm.gov/retirement-services/fers-information/eligibility/](http://www.opm.gov/retirement-services/fers-information/eligibility/)).

### ***If You Transferred to FERS and Also Have Service under the CSRS Retirement System***

When you apply for a refund, OPM will refund all retirement deductions to your credit under both FERS and CSRS. Unlike your FERS refund, you can pay back the amount of the CSRS deductions, plus interest, if you are later reemployed in the Federal Government. When you apply for the refund, you

can specify that you only want a refund of your CSRS deductions.

### ***Procedures for Having Your Retirement Contributions Refunded to You***

If you are leaving your Federal job and want a refund of your retirement contributions, you can get an application from your personnel office, complete it, and return it to them. If you are no longer in the Federal service, you can acquire the appropriate application from their website. Application for Refund of Retirement Deductions (FERS), Standard Form (SF) 3106 ([www.opm.gov/forms/pdf\\_fill/SF3106.pdf](http://www.opm.gov/forms/pdf_fill/SF3106.pdf)) (The SF-3106A, "Current/Former Spouse's Notification for Refund Retirement Deductions," is included with this form.)

If you have been separated for 30 days or less, submit your application to your servicing personnel office.

If you have been separated more than 30 days, submit your application to the Office of Personnel Management (OPM).

U.S. Office of Personnel Management Retirement Operations Center  
Post Office Box 45  
Boyers, PA 16017

### ***Procedures for Having Your Retirement Contributions Refunded to You***

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job and want a refund of your retirement contributions, you can get an application from your personnel office, complete it, and return it to them. If you are no longer in the Federal service, you can acquire the appropriate application from their website. Application for Refund of Retirement Deductions (FERS), Standard Form (SF) 3106 ([www.opm.gov/forms/pdf\\_fill/SF3106.pdf](http://www.opm.gov/forms/pdf_fill/SF3106.pdf)) (The SF-3106A, "Current/Former Spouse's Notification for Refund Retirement Deductions," is included with this form).

If you have been separated for 30 days or less, submit your application to your servicing personnel office.

If you have been separated more than 30 days, submit your application to the Office of Personnel Management (OPM).  
U.S. Office of Personnel Management Retirement Operations Center  
Post Office Box 45  
Boyers, PA 16017

### ***Interest Payable on the Lump Sum Payment of Your Retirement Contributions***

For service under the Federal Employees Retirement System (FERS), you will get interest on the refund of those contributions if you worked more than one year. Interest is paid at the same rate that is paid for government securities. If you had any service under the Civil Service Retirement System (CSRS) while you

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# Federal Employees Retirement System

*Continued*

worked, interest will be included in the refund of those contributions if you have more than one but less than five years of service. Interest is paid at three percent.

## ***Taxability of Refund Payment***

Your retirement contributions are not taxable, but interest included in the payment is taxable. You should contact the Internal Revenue Service ([www.irs.gov/](http://www.irs.gov/)) for additional tax information.

## ***Rollover of Refund Payment to IRA or Employer Sponsored Plan***

You can roll over lump sum payments representing your retirement contributions, including voluntary contributions, and applicable interest. An eligible payment can be paid either to you or directly to an individual retirement account or other

employer sponsored plan. Your choice will affect the amount of taxes you owe.

OPM is required to withhold Federal income tax from taxable payments over \$200 at the rate of 20%. However, you may choose to take all or part of these payments in a direct rollover to an individual retirement account or an employer-sponsored retirement plan that accepts rollovers. The taxable portion can be rolled over into the Thrift Savings Plan. If you make this election, OPM will not withhold the Federal income tax from the taxable payments. You can open an individual retirement account to receive a direct rollover. You must contact the individual retirement account sponsor to find out how to have your payment made to your account. If you are unsure of how to invest your money, you may wish to temporarily establish an account to receive

the payment. However, you may wish to consider whether or not you may move any or all of the monies to another account at a later date without penalties or limitations.

If you choose to have the payment made to you and it is over \$200, the taxable portion is subject to the 20% Federal income tax withholding. The payment is taxed in the year in which it is received unless within 60 days after receiving it, you roll it over to an individual retirement account or retirement plan that accepts rollovers. You can roll over up to 100% of the eligible distribution, including the 20% withholding. To do so, you must replace the 20% withholding within the 60-day period. You will be taxed on any amount that you do not roll over. For example, if you roll over only the 80 percent of the distribution, you will be taxed on the remaining 20%.



# Civil Service Retirement System

The Civil Service Retirement Act, which became effective on August 1, 1920, established a retirement system for certain Federal employees. It was replaced by the Federal Employees Retirement System (FERS) for Federal employees who first entered covered service on and after January 1, 1987.

The Civil Service Retirement System (CSRS) is a defined benefit, contributory retirement system. Employees share in the expense of the annuities to which they become entitled. CSRS covered employees contribute 7, 7 1/2 or 8 percent of pay to CSRS and, while they generally pay no Social Security retirement, survivor and disability (OASDI) tax, they must pay the Medicare tax (currently 1.45 percent of pay). The employing agency matches the employee's CSRS contributions.

CSRS employees may increase their earned annuity by contributing up to 10 percent of the basic pay for their creditable service to a voluntary contribution account. Employees may also contribute a portion of pay to the Thrift Savings Plan (TSP). There is no Government contribution, but the employee contributions are tax-deferred.

## Eligibility

There are five categories of benefits under the Civil Service Retirement System (CSRS). Eligibility is based on your

age and the number of years of creditable service and any other special requirements. In addition, you must have served in a position subject to CSRS coverage for one of the last two years before your retirement. If you meet one of the following sets of requirements, you may be eligible for an immediate retirement benefit. An immediate annuity is one that begins within 30 days after your separation.

## Optional

If you leave Federal service before you meet the age and service requirements for an immediate retirement benefit, you may be eligible for deferred retirement benefits. To be eligible, you must have at least 5 years of creditable civilian service and be age 62.

Optional	
Age	Years of Service
62	5
60	20
55	30

## Special/ Early Optional

### Special Requirements:

Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function determined by the Office of Personnel Management. Your annuity is reduced if you are under age 55.

Special Optional	
Age	Years of Service
50	20
Any Age	25

## Special Provision Retirement

### Special Requirements:

You must retire under special provisions for air traffic controllers or law enforcement and firefighter personnel, nuclear materials courier, Supreme Court and Capitol Police.

Early Optional	
Age	Years of Service
50	20
Any Age*	25

\* Only Air traffic controllers can also retire at any age with 25 years of service as an air traffic controller.

## Discontinued Service

### Special Requirements:

Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function determined by the Office of Personnel Management. Your annuity is reduced if you are under age 55.

Discontinued Service	
Age	Years of Service
50	20
Any Age*	25

# Civil Service Retirement System

*Continued*

## Disability

Special Requirements: Your separation is involuntary and not a removal for misconduct or delinquency. You must be disabled for useful and efficient service in your current position and any other vacant position at the same grade or pay level within your commuting area and current agency for which you are qualified. The disability must have onset prior to retirement and should be expected to last for at least one year.

Disability	
Age	Years of Service
Any Age	5

## CSRS Creditable Service

*Creditable service under CSRS usually includes:*

- Federal “covered service,” that is, service in which the individual’s pay is subject to CSRS retirement deductions, such as service under a career or career conditional appointment;
- Federal service where an employee’s pay is not subject to retirement deductions, such as, service under a temporary appointment;
- Service for which a specific statute allows credit or allows credit for the service, such as:
- Peace Corps enrollment

- Certain pre-1969 National Guard technician service;
- Service for which a specific statute allows an individual to be subject to CSRS deductions during his/her employment with a specified entity or under a specific program or type of appointment, such as:
- Employees of Gallaudet University or D.C. Government, Federal employees who receive assignments under the Intergovernmental Personnel Act, or employees serving as full-time officers or employees of an employee organization.

### *If Retirement Deductions Were Not Withheld During Service*

You can pay a deposit for the service, if it was performed before 1989. A deposit is the payment of the retirement deductions, plus interest, which would have been withheld from your pay if you had been covered by the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) during a period of employment when retirement deductions were not withheld from your salary. You are not required to make this type of payment, but it will affect the amount of your annuity benefit.

### *Deposit for Service Ending before October 1, 1982 and Covered by CSRS:*

You can make a deposit

for creditable Civil Service Retirement System (CSRS) service you performed before October 1, 1982 during which retirement deductions were not withheld from your pay. You will receive retirement credit for all of this service whether or not you pay the deposit. However, unless you pay the deposit in full, your annual benefit will be reduced by 10% of the deposit amount due at retirement. Also, any annuity due your surviving spouse will be reduced proportionately. For pre-October 1, 1982 CSRS service, interest is computed from the midpoint of each period of service. Interest accrues daily, is compounded annually, and is charged at the rate of 3% through the date the deposit is paid or the date annuity begins, whichever is earlier. If full payment is received within 30 days after the bill is issued, no additional interest is charged. Otherwise, interest will be computed after each payment at the rate of 3% for the interval since the most recent payment you have made.

### *Deposit for Service Ending after October 1, 1982 and Covered by CSRS:*

You can make a deposit for creditable CSRS service you performed on or after October 1, 1982 during which retirement deductions were not withheld from your pay. Unless you pay the deposit in full, you will not receive credit for the service in your annuity computation. The service will still be used to determine your eligibility to retire, even if you do

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# Civil Service Retirement System

## *Continued*

not make the deposit. Interest is charged from the midpoint of periods of service and is compounded annually. Interest is charged through December 31 of the year before the year in which the bill is being issued. If full payment is received by December 31 of the year in which the bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time.

### ***If You Received a Refund of Your CSRS Retirement Deductions***

If you received a refund for service that ended on or after March 1, 1991, the service covered by the refund cannot be included in computing your annuity, unless the refund is repaid after you become reemployed. This repayment is called a redeposit. It will still be used toward the service used to qualify for retirement. If you received a refund for service that ended before March 1, 1991, and did not repay the refund, the service will still be credited when you retire, however, it will cause an actuarial reduction in your annuity. The reduction is based on the amount of the redeposit and your age at the time of retirement. This exception to the redeposit requirement does not apply if you retire for disability.

### ***Redeposit***

A redeposit is the repayment of retirement deductions that

were previously withheld and refunded to you, plus interest. You are not required to make this type of payment.

### ***March 1, 1991 and Covered by CSRS:***

You can repay the refund of retirement deductions you received for periods of civilian service ending before March 1, 1991 in order to gain credit for the service in your annuity. However, you will receive credit for all of this service whether or not you make the payment (unless you retire under the disability provisions of the law). But if you do not pay the refund and interest, your annuity will be subject to permanent actuarial reduction based on the amount of redeposit, the interest due, and your age at retirement. The actuarial reduction does not affect the full annuity due your surviving spouse.

If you received the refund before October 1, 1982, interest is charged through the billing date. If OPM receives your payment within 30 days after the bill is issued, no additional interest will be charged. Otherwise, interest will be computed after each partial payment at the rate of 3 percent for the interval since the previous payment.

If the refund was paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received

by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rates described in the table.

### ***Redeposit Service Ending on/after March 1, 1991 and Covered by CSRS:***

You can repay a refund of retirement deductions you received for periods of civilian service ending on or after March 1, 1991, but if you do not pay the redeposit in full, you will not receive credit for this service in the computation of your annuity. Consequently, your annuity, as well as any annuity due your surviving spouse, will be reduced. For refunds paid on or after October 1, 1982, interest is compounded annually and charged through December 31 of the year before the year in which this bill is being issued. If full payment is received by December 31 of the year in which this bill is issued, no additional interest will be charged. If not, interest will be computed once each year as of December 31 based on the unpaid balance at that time. Interest is applied at the rates described in the table. If you repay part of the refund, the money will be returned to you when you retire.

You should apply to make a payment by completing a Standard Form 2803 if you are covered by the Civil Service

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# Civil Service Retirement System

## *Continued*

Retirement System (CSRS). You should use Standard Form 3108 if you are covered by the Federal Employees Retirement System (FERS).

If you are within six months of retirement, you should submit your request to make the deposit or redeposit at the same time you submit your application for retirement. You can use a form or letter to do this. OPM will notify you of any amounts due so you can decide whether or not to make the payment. OPM cannot, however, authorize your regular annuity payments until OPM has your decision about the payment.

### ***Making Payment to Get Credit for Service***

You should apply to make a deposit or redeposit payment by completing a Standard Form 2803 "Application to Make Deposit or Redeposit/CSRS" ([archive.opm.gov/forms/pdf\\_fill/SF2803.pdf](https://archive.opm.gov/forms/pdf_fill/SF2803.pdf)).

### ***If You Are a Federal Employee***

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

### ***If You Are Not Currently a Federal Employee***

Send your completed application directly to:

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

### ***If You Are within Six Months of Retirement***

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

### **CSRS Military Service**

#### ***Credit for Military Service***

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

#### ***Service Performed Before 1957***

- Creditable without deposit.

Service Performed on or after January 1, 1957

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

If You Were First Employed before October 1, 1982, You

Can either

- Make a 7% deposit for post-1956 military service, thereby avoiding a reduction in your annuity at age 62; or
- Not make the deposit and have your annuity reduced at age 62 if you are then eligible for Social Security benefits.

If You Were First Hired by the Federal Government on or after October 1, 1982, You Must

- Make the deposit or receive no credit at all for military service, including eligibility to retire.
- Military deposits include interest unless they are paid within a grace period. Payments must be made to your employing agency before you separate. They cannot be paid to the U.S. Office of Personnel Management.

### ***Computation of Annuity - CSRS***

Your basic annuity is computed based on your length of service and "high-3" average salary. You also receive credit for unused sick leave if you retire on an immediate annuity. To determine your length of service for computation, add all your periods of creditable service, and the period represented by your unused sick leave, then eliminate any fractional part of a month from the total.

# Civil Service Retirement System

*Continued*

## High-3 Average Salary

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

## Computation

Here is how the CSRS annuity formula is calculated:

CSRS Annuity Formula	
Years of Service	What You Receive
First 5 years of service	1.5 percent of your high-3 average salary for each year
Second 5 years of service	<b>Plus</b> 1.75 percent of your high-3 average salary for each year
For all years of service over 10	<b>Plus</b> 2 percent of your high-3 average salary for each year.

## Reductions in Annuity

Your annuity will be reduced if:

- You retire before age 55 (unless you retire for disability or under the special provisions for law enforcement officers, air traffic controllers, and firefighters); your annuity will be reduced by one-sixth of 1% for each full month you are under age 55.
- You didn't make a deposit for service performed prior to October 1, 1982, during which no deductions were taken from your pay (non-deduction service after that date is not used in the computation of benefits if the deposit is not paid);
- You didn't make a redeposit of a refund for a period of service that ended before October 1, 1990;
- You provide for a survivor.
- To provide a full survivor benefit for your current or former spouse, your annuity will be reduced by 2.5% of the first \$3,600, plus 10% of the annuity over \$3,600.
- To provide a survivor annuity for a person who has an "insurable interest" in you, your annuity would be reduced from 10 to 40 percent, depending on the difference in your age and the age of the person named.

## Cost of Living Adjustments

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

## Maximum Payable

The maximum benefit you can receive from CSRS is 80 percent of your high-3 average salary, plus credit for your sick leave. This limit generally affects only those who have more than 41 years of service when they retire.

## Special Computation for Law Enforcement Officers, Firefighters and Nuclear Materials Couriers Disability Retirement Computation

If you retire for disability, you may be guaranteed a minimum annuity equal to the smaller of:

- 40 percent of your "high-3 average salary"; or
- the regular annuity obtained after increasing your service by the time between your retirement and your 60th birthday.

The guaranteed minimum applies if you are under age 60 when you retire and your earned annuity based on your actual service is less than this minimum.



# Civil Service Retirement System

*Continued*

## Special Computation for Law Enforcement Officers, Firefighters and Nuclear Materials Couriers Disability Retirement Computation

<b>CSRS Annuity Formula</b>	
<b>If retired under the special provision for firefighters, law enforcement officers, or nuclear material couriers, Supreme Court Police or Capitol Police</b>	
<b>Years of Service</b>	<b>What You Receive</b>
First 20 years of CSRS law enforcement officer, firefighter and/or nuclear material courier service	<b>2.5% of your high-3 average salary for each year</b>
All remaining CSRS service	<b>Plus 2% of your high-3 average salary for each year</b>

### **Exception:**

The guaranteed minimum does not apply if you are receiving military retired pay and/or compensation from the Veterans Administration in lieu of all or part of the military retired pay. However, if your earned annuity plus your military benefit (or compensation) is less than what it would have been under the guaranteed minimum, the annuity is increased to bring it up to that level.

### **Disability**

#### ***When to Consider Applying for Disability Retirement***

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

### ***Eligibility Requirements for CSRS Disability***

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

- You must have completed at least five years of creditable Federal civilian service.
- You must, while employed in a position subject to CSRS, have become disabled, because of disease or injury, for useful and efficient service in your current position. (Useful and efficient service means fully successful performance of the critical or essential elements of the position- or the ability to perform at that level-and satisfactory conduct and attendance.)
- The disability must be expected to last at least one year.
- Your agency must certify that it is unable to accommodate your disabling medical condition in your present position and

that it has considered you for any vacant position in the same agency, at the same grade or pay level, and within the same commuting area, for which you are qualified for reassignment.

- You, or your guardian or other interested person, must apply before your separation from service or within one year of your separation. The application must be received by OPM within one year from the date of your separation. This time limit can be waived only in instances involving incompetency.

### **Applying for Disability Retirement**

To apply for CSRS disability retirement:

- Complete SF 2801, Application for Immediate Retirement; and
- SF 3112, Documentation in Support of Disability Retirement.

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# Civil Service Retirement System

*Continued*

*If you are still employed or have been separated from your employing agency for 31 days or less*

Your employing agency may help you complete these forms and if you are still on the agency payroll, will forward the completed forms to OPM. However, it is your responsibility to obtain all the information necessary for OPM to make a decision on your claim. This includes providing all of the required forms and documentation.

*If you are covered by the CSRS Offset Retirement System*

You must document that you applied for Social Security disability benefits after you separated from your agency. OPM cannot pay you a disability retirement without this information.

*If you have been separated from Federal service for more than 31 days*

Your application for disability retirement must be received by OPM within one year after the date of your separation. If you have been separated from Federal service for more than 31 days, your former employing agency may no longer have your personnel records and may not be able to recover them in time to process your disability retirement application and submit it to OPM within the one-year time limit. Therefore, you should submit your application directly

to OPM rather than to your agency. Submit to this address  
U.S. Office of Personnel Management, Retirement Operations Center, Post Office Box 45, Boyers, PA 16017.

- Ask your former supervisor and employing agency to complete SF 3112B, SF 3112D and SF 3112E and give them to you so you can send them to OPM.
- If you think you will not have the completed package in time to meet the one-year time limit, send OPM the completed SF 2801 and SF 3112A, along with the name, address and telephone number of the person(s) you have asked to complete the remaining forms.

## **Periodic Medical Exams to Keep Your Disability Benefit**

When OPM approves your application for disability retirement, OPM may determine that based on your medical condition you will periodically have to provide them with current medical information in order to continue receiving benefits.

### *Paying for Periodic Medical Exams*

You are responsible for paying for any medical exams that are needed. If you do not fulfill the request for evidence of continuing disability, it is likely that your benefit payments could be suspended until your continuing eligibility is established.

## **Changing Your Retirement to Disability Retirement**

You can submit an application for disability retirement within one year after your separation from employment provided you did not elect the alternative form of annuity with a lump sum payment equal to your retirement contributions. You and your former employing agency must submit evidence that shows you became disabled while employed in a position subject to FERS coverage, and you and your agency must provide evidence that you were unable to perform useful and efficient service because of disease or injury in the position you retired from. Your former agency will also have to certify that it could not reasonably accommodate your condition. Moreover, you must not have declined an offer of reassignment to a vacant position in the commuting area at the same grade or pay level and tenure.

## **Termination of CSRS Disability Benefit**

If you are under age 60, your benefit will stop if:

- You are found to be medically recovered from your disabling condition;
- In any calendar year your income from wages and self-employment is at least 80 percent of the current rate of basic pay from the position you retired from (also known as restoration to earning capacity); or

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# Civil Service Retirement System

*Continued*

- You are reemployed in the Federal service in a position equivalent to what you held at retirement (also called “administratively recovered”).

## **Reinstatement of Disability Benefit if it Stops**

If your disability benefit stopped because you were found recovered either medically or administratively, your benefit can resume only if the disability recurs and you do not exceed the 80 percent earnings limitation.

If your disability stopped because you exceeded the earnings limitation, your benefit can resume effective the first of the year after you no longer exceed the 80 percent earnings limit.

## **Disability Retirement Computation**

You are entitled to an “earned” annuity computed under the CSRS general formula. However, the law guarantees a minimum annuity to employees who retire because of disability. The guaranteed minimum applies if you are under age 60 when you retire and your earned annuity based on your actual service is less than this minimum.

The guaranteed minimum is the lesser of the following:

- 40 percent of your “high-3 average salary”; or
- The regular annuity obtained after increasing your service

by the time between your retirement and your 60th birthday.

### **Exception:**

The guaranteed minimum does not apply if you are receiving military retired pay and/or compensation from the Veterans Administration in lieu of all or part of the military retired pay. However, if your earned annuity plus your military benefit (or compensation) is less than what it would have been under the guaranteed minimum, the annuity is increased to bring it up to that level.

## **Reductions in Disability Annuity**

Your basic annual disability annuity will be reduced for:

### **Survivor Benefits**

If you are married, your benefit will be reduced for a survivor benefit, unless your spouse consented to your election of less than a full survivor annuity. It will also be reduced if a former spouse survivor benefit is required by a court order.

### **Unpaid Service**

If you have creditable civilian service performed before October 1, 1982, during which no retirement deductions were withheld from your salary and for which you have not paid a deposit, your annuity will be reduced. The annual reduction is 10% of the total deposit due. Non-deduction service

performed on or after October 1, 1982, cannot be used to compute your annuity unless the deposit is made in full.

### **Refunded Service**

If you had creditable civilian service for which you took a refund, but did not pay a redeposit, the service cannot be used in the computation of your annuity.

### **CSRS Offset**

If you had service that was subject to withholding for both the Civil Service Retirement System (CSRS) and Social Security, you are subject to a reduction in your annuity if the Social Security Administration (SSA) can pay you a benefit based on the portion of your Federal service which was under both systems. This is called “CSRS Offset” service.

### **Cost of Living Adjustments for CSRS Disability Retirees**

Your disability annuity will be increased by cost-of-living (COLA) increases that occur after you retire. Your first COLA increase will be prorated based on how long you have been retired when that COLA is granted.

## **Entitlement to Other Benefits-Effect on CSRS Disability Benefit:**

### **Social Security Benefits**

If you had service that was subject to withholding for both the Civil Service Retirement

# Civil Service Retirement System

*Continued*

System (CSRS) and Social Security, you are subject to a reduction in your annuity if the Social Security Administration (SSA) can pay you a benefit based on the portion of your Federal service which was under both systems. This is called “CSRS Offset” service.

*Receipt of disability benefits from the Office of Personnel Management and total or partial disability benefits from the U.S. Department of Labor, Office of Workers’ Compensation Programs (OWCP) at the same time. Generally, you must decide which benefit is most advantageous for you and elect to receive that one. If you decide you want to receive Office of Workers’ Compensation Programs (OWCP) benefits, payments from the Office of Personnel Management will be suspended. However, if your OWCP benefits stop, you can ask us to pay your CSRS disability benefit. You can receive an OWCP “Scheduled Award” and the Office of Personnel Management benefits at the same time.*

## Early Retirement

### *Early Optional Retirement*

If your agency undergoes a major reorganization, reduction in force, or transfer of function, and a significant percentage of the employees will be separated, or will be reduced in pay, the head of your agency can ask the U.S. Office of Personnel Management

(OPM) to permit early optional retirement for eligible employees. If your agency gets approval to permit early optional retirements, eligible employees will be notified of the opportunity to retire voluntarily.

### **Discontinued Service Retirement Because of an Involuntary Separation**

The term “involuntary separation” means any separation against the will and without the consent of the employee, other than “for cause” for misconduct or delinquency. The most common cause of an involuntary separation is a reduction in force. Another frequent cause for an involuntary separation is when the location of an office or unit is moved to an area outside the commuting area of the old worksite\*. Employees who decline reasonable offers of other positions are not eligible for discontinued service annuities.

If your agency:

- Makes you a reasonable offer and you choose to decline the offer and resign, you will not qualify for discontinued service retirement; or
- Separates you by adverse action procedures for not complying with a directed reassignment to a position that is a “reasonable offer,” your separation would not be qualifying for

discontinued service.

### **Reasonable Offer**

Written offer of another position in your agency and commuting area for which you are qualified, and Which is no more than two grades or pay levels below your current grade or pay level.

### **Commuting Area**

Geographic area that usually constitutes one area for employment purposes. It includes any population center (or two or more neighboring ones) and the surrounding localities in which people live and reasonably can be expected to travel back and forth daily in their usual employment.

### **Annuity Computation**

Here is how the CSRS annuity formula is calculated:

<b>CSRS Annuity Formula</b>	
<b>Years of Service</b>	<b>What You Receive</b>
First 5 years of service	1.5 percent of your high-3 average salary for each year
Second 5 years of service	<b>Plus</b> 1.75 percent of your high-3 average salary for each year
For all years of service over 10	<b>Plus</b> 2 percent of your high-3 average salary for each year.

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# Civil Service Retirement System

*Continued*

## Reductions in Annuity

Your annuity will be reduced if:

- You retire before age 55 (unless you retire for disability or under the special provisions for law enforcement officers, air traffic controllers, and firefighters). Your annuity will be reduced by one-sixth of 1% for each full month (2 percent a year) you are under age 55.
- You didn't make a deposit for service performed prior to October 1, 1982, during which no deductions were taken from your pay (non-deduction service after that date is not used in the computation of benefits if the deposit is not paid);
- You didn't make a redeposit of a refund for a period of service that ended before October 1, 1990;
- You provide for a survivor.

To provide a full survivor benefit for your current or former spouse, your annuity will be reduced by 2.5% of the first \$3,600, plus 10% of the annuity over \$3,600.

To provide a survivor annuity for a person who has an "insurable interest" in you, your annuity would be reduced from 10 to 40 percent, depending on the difference in your age and the age of the person named.

## Deferred Annuity

*5 years of civilian service:*

- Covered by the Civil Service Retirement law for at least 1 year out of the last 2 years preceding the final separation on which your entitlement is based.
- Did not receive a refund of retirement deductions covering your final period of service.

### *Health Benefits and Life Insurance Coverage*

If you receive a deferred annuity, you are not eligible to continue any health benefits and life insurance coverage you had while employed. age and the age of the person named.

### *Commencing Date of Deferred Retirement*

The deferred annuity commences on your 62nd birthday, no matter when you apply for it.

### *Survivor Benefits*

If you are married when your annuity begins, it will be computed with a reduction to provide maximum survivor benefits (55% of your unreduced annuity) for your spouse upon your death. You can elect to provide a partial survivor benefit (less than 55% of your unreduced annuity) or no survivor benefits; however, you must get your spouse's

consent to elect either of these options. You can also elect a survivor annuity for a former spouse or an insurable interest survivor benefit.

### *Computation of Deferred Benefit*

Your deferred annuity is based on the length of service and high-3 average salary in effect when you separated from Federal service. In the years between the date of separation and age 62, the average salary is not adjusted by any intervening cost-of-living adjustments. Your accrued and unused sick leave balance at the time of your separation is not creditable for eligibility or computation purposes in a deferred retirement.

### **Applying for Deferred Benefit**

Form to Use: Use OPM Form 1496A, Application for Deferred Retirement, to apply for deferred retirement benefits under the Civil Service Retirement System [www.opm.gov/forms/pdf\\_fill/opm1496a.pdf](http://www.opm.gov/forms/pdf_fill/opm1496a.pdf).

When to Apply: Send your application to OPM approximately 60 days before your 62nd birthday. Send your completed application to:

U.S. Office of Personnel Management  
Retirement Operations Center  
Post Office Box 45  
Boyers, PA 16017



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## Civil Service Retirement System

*Continued*

### *If You Die Before Applying for a Deferred Annuity*

No survivor annuity is payable to a former employee's spouse, former spouse, or children if the former employee has title to a deferred annuity but dies before reaching age 62, or reaches age 62, but dies before filing an application for CSRS retirement. The only benefit payable in either case would be a lump-sum payment of the former employee's retirement contributions, without interest.

### Computation of Deferred Benefit

In the years between the date of separation and age 62, the average salary is not adjusted by any intervening cost-of-living adjustments.

# Federal 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.

## Annual Leave

An employee may use annual leave for any purpose, including vacations, rest and relaxation, and personal business or emergencies. An employee has a right to take annual leave, subject to the right of the supervisor to schedule the time at which annual leave may be taken. An employee will receive a lump-sum payment for accumulated and accrued annual leave when he or she separates from Federal service or enters on active duty in the armed forces and elects to receive a lump-sum payment.

## Accrual Rates

Employee Type	Less than 3 years of service	3 years but less than 15 years of service	15 or more years of service
Full-time employees	1/2 day (4 hours) for each pay period	3/4 day (6 hours) for each pay period, except VA 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 6 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.**
SES, Senior Level (SL), and Scientific or Professional (ST) positions, employees in the equivalent pay systems, as determined by OPM	8 hours for each pay period, regardless of years of service. (See Extension of Higher Annual Leave Accrual Rate to SES and SL/ST Equivalent Pay Systems fact Sheet) <a href="http://www.opm.gov/policy-data-oversight/pay-leave/leave-administration/fact-sheets/extension-of-higher-annual-leave-accrual-rate-to-ses-and-slst-equivalent-pay-systems/">www.opm.gov/policy-data-oversight/pay-leave/leave-administration/fact-sheets/extension-of-higher-annual-leave-accrual-rate-to-ses-and-slst-equivalent-pay-systems/</a>		

\* 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.

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## Federal leave

*Continued*

### **Creditable Service for Leave Accrual**

#### *Civilian Service*

All civilian service that is potentially creditable for Civil Service Retirement Service (CSRS) purposes, including service covered by the Federal Employee Retirement Service (FERS) is also creditable for annual leave accrual. Potentially creditable service includes service that could be credited if the employee made deposits to the retirement fund. However, such deposits are not required before the employee gets credit for annual leave accrual purposes.

#### *Uniformed Service*

For non-retired members of a uniformed service, 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 retired members of a uniformed service, annual leave accrual credit is given only for:

- Actual service during a war declared by Congress (includes World War II covering the period December 7, 1941, to April 28, 1952) or while participating in a campaign or expedition for which a campaign badge is authorized; or
- All active duty when retirement was based on a

disability received as a direct result of armed conflict or caused by an instrumentality of war and incurred in the line of duty during a period of war as defined in 38 U.S.C. 101(11). "Period of war" includes World War II, the Korean conflict, Vietnam era, the Persian Gulf War, or the period beginning on the date of any future declaration of war by the Congress and ending on the date prescribed by Presidential proclamation or concurrent resolution of the Congress.

\*The uniformed services consist of the Armed Forces (Army, Navy, Air Force, Marine Corps, and Coast Guard), the commissioned corps of the Public Health Service, and the commissioned corps of the National Oceanic and Atmospheric Administration.

#### ***Non-Federal Service or Uniformed Service***

A newly-appointed or reappointed employee may receive service credit for prior non-Federal service or active duty uniformed service that otherwise would not be creditable for the purpose of determining his or her annual leave accrual under the conditions prescribed in 5 CFR 630.205.

The head of an agency, or his or her designee, may at his or her sole discretion provide service credit that otherwise would not be creditable under 5 U.S.C. 6303(a) for the purpose

of determining the annual leave accrual rate to –

- A newly-appointed or reappointed employee with a break of at least 90 calendar days after his or her last period of civilian employment in the civil service\*; or
- A retired member of the active duty uniformed service as defined by 38 U.S.C. 4303.

This is a discretionary flexibility agencies can use to meet their strategic human capital needs - an employee has no entitlement to this credit.

### **Advance Annual Leave**

Supervisors may grant advance annual leave consistent with agency policy. The amount of annual leave that may be advanced is limited to the amount of annual leave an employee would accrue in the remainder of the leave year. Employees do not have an automatic entitlement to advance annual leave. In most cases, when an employee who is indebted for advance annual leave separates from Federal service, he or she is required to refund the amount of advance leave for which he or she is indebted.

### **Annual Leave Ceilings**

Maximum Annual Leave That May be Carried Over into the New Leave Year:

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## Federal leave

### *Continued*

- 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.)

#### **Use or Lose” Annual Leave**

“Use or lose” annual leave is the amount of annual leave that is in excess of the employee’s applicable annual leave ceiling. Any accrued annual leave in excess of the ceiling will be forfeited if not used by the final day of the leave year. Forfeited annual leave may be restored under 5 U.S.C. 6304(d).

#### **Annual Leave to Establish Retirement Eligibility**

An employee may use annual leave to establish initial eligibility for retirement in reduction-in-force and other restructuring situations. An employee who has received a specific notice of termination in a RIF situation may use annual leave past the date the employee would otherwise have been separated in order to establish initial eligibility for immediate retirement, including discontinued service or voluntary early retirement.

#### **Restoration of Annual Leave**

Agencies may restore annual leave that was forfeited because it was in excess of the maximum leave ceilings (i.e., 30, 45, or 90 days) if the leave was forfeited because of an administrative error, exigency of the public business, or sickness of the employee. An agency must restore the annual leave in a separate leave account.

#### **Administrative Error**

The employing agency determines what constitutes an administrative error.

#### **Exigency of the Public Business**

The employing agency determines that an exigency is of major importance and that excess annual leave cannot be used.

#### **Sickness**

The employing agency determines that the annual leave was forfeited because of a period of absence due to an employee’s sickness or injury that occurred late in the leave year or was of such duration that the excess annual leave could not be rescheduled for use before the end of the leave year.

An agency may consider for restoration annual leave that was forfeited due to an exigency of the public business or sickness of the employee only if the annual leave was scheduled in writing before the

start of the third biweekly pay period prior to the end of the leave year.

#### **Time Limit for Using Restored Annual Leave**

An employee must schedule and use restored annual leave not later than the end of the leave year ending 2 years after:

- The date of restoration of the annual leave forfeited because of administrative error;
- The date fixed by the head of the agency or designee as the date of termination of the exigency of the public business; or
- The date the employee is determined to be recovered from illness or injury and able to return to duty.

Restored annual leave that is not used within the established time limits is forfeited with no further right to restoration.

Administrative error may not serve as the basis to extend the time limit within which to use restored annual leave. This is so even if the agency fails to establish a separate leave account, fix the date for the expiration of the time limit, or properly advise the employee regarding the rules for using restored annual leave, absent agency regulations requiring otherwise.

#### **National Emergency by Reason of Certain Terrorist Attacks**

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## Federal leave

### *Continued*

On March 4, 2002, OPM issued final regulations that permit “use or lose” annual leave to be restored to employees whose services are determined to be necessary for the current national emergency. Such employees are entitled to have their excess annual leave restored without the administrative burden of scheduling and canceling such leave. In addition, the time limitations for using restored annual leave are suspended for the entire period during which employees’ services are determined to be essential for activities associated with the national emergency. At the end of the national emergency, or when the services of the employee no longer are determined to be necessary, a new time limit will be established for using all restored leave available to the employee.

#### **Lump-Sum Payments for Annual Leave**

An employee will receive a lump-sum payment for any unused annual leave when he or she separates from Federal service or enters on active duty in the armed forces and elects to receive a lump-sum payment. Generally, a lump-sum payment will equal the pay the employee would have received had he or she remained employed until expiration of the period covered by the annual leave.

#### **Calculating a Lump-Sum Payment**

An agency calculates a lump-sum payment by multiplying the number of hours of accumulated and accrued annual leave by the employee’s applicable hourly rate of pay, plus other types of pay the employee would have received while on annual leave, excluding any allowances that are paid for the sole purpose of retaining a Federal employee in government service (e.g., retention allowances and physicians comparability allowances).

#### *Types of Pay Included in a Lump-Sum Payment:*

- Rate of basic pay.
- Locality pay or other similar geographic adjustment.
- Within-grade increase (if waiting period met on date of separation).
- Across-the-board annual adjustments.
- Administratively uncontrollable overtime pay, availability pay, and standby duty pay.
- Night differential (for FWS employees only).
- Regularly scheduled overtime pay under the Fair Labor Standards Act for employees on uncommon tours of duty.
- Supervisory differentials.

- Non-foreign area cost-of-living allowances and post differentials.
- Foreign area post allowances.

#### **Return to Federal Service**

In calculating a lump-sum payment, an agency projects forward an employee’s annual leave for all the workdays the employee would have worked if he or she had remained in Federal service. By law, holidays are counted as workdays in projecting the lump-sum leave period. If an employee is reemployed in the Federal service prior to the expiration of the period of annual leave (i.e., the lump-sum leave period), he or she must refund the portion of the lump-sum payment that represents the period between the date of reemployment and the expiration of the lump-sum period. An agency re-credits to the employee’s leave account the amount of annual leave equal to the days or hours of work remaining between the date of reemployment and the expiration of the lump-sum leave period.

#### **Sick Leave**

In addition to annual leave, Federal employees also accrue sick leave. Employees may use sick leave for their own personal medical needs; to care for a family member; to care for a family member with a serious health condition; or for adoption-related purposes.



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## Federal leave

### *Continued*

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.
- Uncommon tours of duty – (4 hours) times (average # of hours per biweekly pay period) divided by 80 = biweekly accrual rate.

There are no limits on the amount of sick leave that can be accumulated. Unused sick leave accumulated by employees covered by the Civil Service Retirement System will be used in the calculation of their annuities.

#### ***Requesting Sick Leave***

An employee must request sick leave within such time limits as the agency may require. An agency may require employees to request advanced approval for sick leave for their own medical, dental, or optical examination or treatment. To the extent possible, an employee may be required to request advanced approval for sick leave to attend to a family member receiving medical, dental, or optical examination or treatment, to care for a sick family member or one with a

serious health condition, for bereavement purposes, and for adoption-related proceedings. If the employee complies with the agency's notification and medical evidence/certification requirements, the agency must grant sick leave.

#### ***Granting Sick Leave***

An agency may grant sick leave only when supported by administratively acceptable evidence. For absences in excess of 3 days or for a lesser period when determined necessary by the agency, an agency may require a medical certificate or other administratively acceptable evidence. An agency may consider an employee's self-certification as to the reason for his or her absence as administratively acceptable evidence, regardless of the duration of the absence. Employees should consult their agency-specific human resources guidance and review applicable policies set forth in collective bargaining agreements for information specific to their agency.

An employee must provide administratively acceptable evidence or medical certification within 15 days of the agency's request. If the employee is unable to provide evidence, despite the employee's diligent, good faith efforts, he or she must provide it within a reasonable period of time, but no later than 30 calendar days after the agency makes the request. If the

employee fails to provide the required evidence within the specified time period, he or she is not entitled to sick leave.

#### ***Advance Sick Leave***

At the discretion of the agency, a maximum of 30 days of sick leave may be advanced to an employee with a medical emergency or for purposes related to the adoption of a child. A maximum of 5 days of sick leave may be advanced for family care or bereavement purposes or to care for a family member with a serious health condition.

#### ***Sick Leave for Personal Medical Needs***

An employee may use sick leave when he or she (1) is incapacitated for the performance of duties by physical or mental illness, injury, pregnancy, or childbirth; (2) receives medical, dental, or optical examination or treatment; or (3) would, as determined by the health authorities having jurisdiction or by a health care provider, jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease.

#### ***Sick Leave for Family Care or Bereavement Purposes***

Most full-time Federal employees may use a total of up to 104 hours (13 workdays) of sick leave each leave year to:

- Provide care for a family member who is

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## Federal leave

### *Continued*

incapacitated as a result of physical or mental illness, injury, pregnancy, or childbirth;

- Provide care for a family member who would, as determined by the health authorities having jurisdiction or a health care provider, jeopardize the health of others by that family member's presence in the community because of exposure to a communicable disease;
- Provide care for a family member as a result of medical, dental, or optical examination or treatment; or
- Make arrangements necessitated by the death of a family member or to attend the funeral of a family member.

Part-time employees and employees with uncommon tours of duty are also covered, and the amount of sick leave permitted for family care and bereavement purposes is pro-rated in proportion to the average number of hours of work in the employee's scheduled tour of duty each week.

At the discretion of the agency, an employee may be advanced up to 104 hours of sick leave each year (or a proportional amount for an employee on a part-time schedule or uncommon tour of duty) for family care or bereavement purposes.

### ***Sick Leave to Care for Family Member with Serious Health Condition***

Most Federal employees may use a total of up to 12 administrative workweeks of sick leave each leave year to care for a family member with a serious health condition. If an employee previously has used any portion of the 13 days of sick leave for general family care or bereavement purposes in a leave year, that amount must be subtracted from the 12-week entitlement. If an employee has already used 12 weeks of sick leave to care for a family member with a serious health condition, he or she cannot use an additional 13 days in the same leave year for general family care purposes. An employee is entitled to a total of 12 weeks of sick leave each year for all family care purposes.

#### ***"Family member" for these purposes is defined as:***

- Spouse, and parents thereof;
- Children, including adopted children, and spouses thereof;
- Parents;
- Brothers and sisters, and spouses thereof; and
- Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

The term "serious health condition" has the same meaning as used in OPM's regulations for administering the Family and Medical Leave Act of 1993 (FMLA). That definition includes such conditions as cancer, heart attacks, strokes, severe injuries, Alzheimer's disease, pregnancy, and childbirth. The term "serious health condition" is not intended to cover short-term conditions for which treatment and recovery are very brief. The common cold, the flu, earaches, upset stomach, headaches (other than migraines), routine dental or orthodontia problems, etc., are not serious health conditions unless complications arise. The agency may require medical certification of a serious health condition.

At the discretion of the agency, an employee may be advanced a maximum of 30 days of sick leave (or a proportional amount for an employee on a part-time schedule or uncommon tour of duty) to provide care for a family member with a serious health condition.

### ***Sick Leave for Adoption***

An employee may use sick leave for purposes related to the adoption of a child. The agency may advance up to 30 days of sick leave for adoption-related purposes. Examples of "adoption-related purposes" may include, but are not limited to:

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## Federal leave

### *Continued*

- Appointments with adoption agencies, social workers, and attorneys;
- Court proceedings;
- Required travel;
- Any periods of time the adoptive parents are ordered or required by the adoption agency or by the court to take time off from work to care for the adopted child; and
- Any other activities necessary to allow the adoption to proceed.

Adoptive parents who voluntarily choose to be absent from work to bond with or care for an adopted child may not use sick leave for this purpose. Parents may use annual leave or leave without pay for these purposes. An agency may request administratively acceptable evidence for absences related to adoption.

### **Bone Marrow or Organ Donor Leave**

An employee may use up to 7 days of paid leave each calendar year to serve as a bone-marrow donor. An employee also may use up to 30 days of paid leave each calendar year to serve as an organ donor. Leave for bone marrow and organ donation is a separate category of leave that is in addition to annual and sick leave. Agencies are responsible for informing their employees of the entitlement to leave for bone marrow and organ donation.

### **Court Leave**

An employee is entitled to paid time off without charge to leave for service as a juror or witness. An employee is responsible for informing his or her supervisor if he or she is excused from jury or witness service for one day or more or for a substantial part of a day. To avoid undue hardship, an agency may adjust the schedule of an employee who works nights or weekends and is called to jury duty.

An employee who is summoned to serve as a juror in a judicial proceeding is entitled to court leave. An employee who is summoned as a witness in a judicial proceeding in which the Federal, State, or local government is a party is entitled to court leave. (If there is no jury/witness service, there is no court leave. The employee would be charged annual leave, sick leave, or leave without pay, as appropriate.)

An employee who is summoned as a witness in an official capacity on behalf of the Federal government is on official duty, not court leave.

Employees must reimburse to their agency fees paid for service as a juror or witness. However, monies paid to jurors or witnesses that are in the nature of “expenses” (e.g., transportation) do not have to be reimbursed to the agency.

### **Family and Medical Leave**

Under the Family and Medical

Leave Act of 1993 (FMLA), most Federal employees are entitled to a total of up to 12 workweeks of unpaid leave during any 12-month period for the following purposes:

- The birth of a son or daughter of the employee and the care of such son or daughter;
- The placement of a son or daughter with the employee for adoption or foster care;
- The care of spouse, son, daughter, or parent of the employee who has a serious health condition; or
- A serious health condition of the employee that makes the employee unable to perform the essential functions of his or her position.
- Any qualifying exigency arising out of the fact that the spouse, or a son, daughter, or parent of the employee is on covered active duty (or has been notified of an impending call or order to covered active duty) in the Armed Forces.

Under certain conditions, an employee may use the 12 weeks of FMLA leave intermittently. An employee may elect to substitute annual leave and/or sick leave, consistent with current laws and OPM’s regulations for using annual and sick leave, for any unpaid leave under the FMLA. (The amount of sick leave that may be used to care for a family member is

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## Federal leave

### *Continued*

limited.) Note that FMLA leave is in addition to other paid time off available to an employee.

Upon return from FMLA leave, an employee must be returned to the same position or to an “equivalent position with equivalent benefits, pay, status, and other terms and conditions of employment.”

An employee who takes FMLA leave is entitled to maintain health benefits coverage. An employee on unpaid FMLA leave may pay the employee share of the premiums on an ongoing basis or pay upon return to work.

An employee must provide notice of his or her intent to take family and medical leave not less than 30 days before leave is to begin, or in emergencies, as soon as is practicable. An agency may request medical certification for FMLA leave taken to care for an employee’s spouse, son, daughter, or parent who has a serious health condition or for the serious health condition of the employee.

### **Military Leave**

An employee is entitled to time off at full pay for certain types of active or inactive duty in the National Guard or as a Reserve of the Armed Forces. Any full-time Federal civilian employee whose appointment is not limited to one year is entitled to military leave. Military leave is prorated for part-time career employees and employees on an uncommon tour of duty.

### ***Types of Military Leave***

- 5 U.S.C. 6323(a) provides 15 calendar days per fiscal year for active duty, active duty training, and inactive duty training. An employee can carry over a maximum of 15 days into the next fiscal year. Inactive Duty Training is authorized training performed by members of a Reserve component not on active duty and performed in connection with the prescribed activities of the Reserve component. It consists of regularly scheduled unit training periods, additional training periods, and equivalent training.
- 5 U.S.C. 6323(b) provides 22 workdays per calendar year for emergency duty as ordered by the President, the Secretary of Defense, or a State governor. This leave is provided for employees who perform military duties in support of civil authorities in the protection of life and property, or who perform full-time military service as a result of a call or order to active duty in support of a contingency operation.
- 5 U.S.C. 6323(c) provides unlimited military leave to members of the National Guard of the District of Columbia for certain types of duty ordered or authorized under title 39 of the District of Columbia Code.
- 5 U.S.C. 6323(d) provides that Reserve and National Guard Technicians only are

entitled to 44 workdays of military leave for duties overseas under certain conditions.

\* The term “contingency operation” means a military operation that:

(a) is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or

(b) results in the call or order to, or retention on, active duty of members of the uniformed services under section 688, 12301(a), 12302, 12304, 12305, or 12406 of title 10, United States Code, chapter 15 of title 10, United States Code, or any other provision of law during a war or during a national emergency declared by the President or Congress.

### ***Days of Leave***

Military leave should be credited to a full-time employee on the basis of an 8-hour workday. The minimum charge to leave is one hour. An employee may be charged military leave only for hours that the employee would otherwise have worked and received pay.

Employees who request military leave for inactive duty training (which generally is 2, 4, or 6 hours in length) will now be charged only the amount of military leave

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## Federal leave

### *Continued*

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.

#### ***Effect on Civilian Pay***

An employee's civilian pay remains the same for periods of military leave under 5 U.S.C. 6323(a), including any premium pay (except Sunday premium pay) an employee would have received if not on military leave. For military leave under 5 U.S.C. 6323(b) and (c), the employee's civilian pay is reduced by the amount of military pay for the days of military leave. However, an employee may choose not to take military leave and instead take annual leave in order to retain both civilian and military pay.

#### **Leave without Pay**

Leave without pay (LWOP) is a temporary non-pay status and absence from duty that, in most cases, is granted at the

employee's request. In most instances, granting LWOP is a matter of supervisory discretion and may be limited by agency internal policy.

Employees, however, have an entitlement to LWOP in the following situations:

- The Family and Medical Leave Act of 1993 (FMLA) provides covered employees with an entitlement to a total of up to 12 weeks of unpaid leave (LWOP) during any 12-month period for certain family and medical needs.
- The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) provides employees with an entitlement to LWOP when employment with an employer is interrupted by a period of service in the uniformed service.
- Executive Order 5396, July 17, 1930, provides that disabled veterans are entitled to LWOP for necessary medical treatment.
- Employees may not be in a pay status while receiving workers' compensation payments from the Department of Labor.

Employees should be aware that LWOP affects their entitlement to or eligibility for certain Federal benefits. A list of these can be found here: [Click Here.](#)

#### **Leave Transfer and Leave Bank Programs**

##### ***Leave Bank Program***

An employee who is a member of his or her agency's voluntary leave bank may receive annual leave from the leave bank if the employee experiences a personal or family medical emergency and has exhausted his or her available paid leave. The agency's leave bank board operates the leave bank and determines how much donated annual leave an employee may receive from the leave bank. Any unused donated annual leave is returned to the leave bank.

##### ***Leave Bank Members and Leave Contributors***

To become and remain a leave bank member, an employee must make an application and contribute a minimum amount of annual leave to the leave bank each leave year. The application must specify the number of hours of annual leave to be contributed to the leave bank. The employee makes this donation to establish leave bank membership during annual open enrollment periods or within 30 days of the employee's appointment to the agency or return from extended absence.

A leave bank member may contribute additional annual leave at any time and may also request that annual leave be donated to a specific leave bank member (other than his



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## Federal leave

### *Continued*

or her immediate supervisor). An employee who is not a leave bank member may apply to contribute leave at any time. A leave bank member who transfers from a different agency or to a different leave bank is subject to the policies and procedures of the new leave bank, including its minimum contribution requirements.

#### ***Leave Recipient***

Application to become a leave recipient

In order to receive donated annual leave, a leave bank member who is affected by a personal or family medical emergency must make written application to the leave bank board. If the member is not capable of making written application, a personal representative may make the application on behalf of the employee.

Each application should include:

- The name, position title, and grade or pay level of the leave bank member.
- The reasons transferred leave is needed, including a brief description of the nature, severity, and anticipated duration of the medical emergency, and if it is a recurring one, the approximate frequency of the medical emergency affecting the leave bank member.

- If required by the leave bank board, certification regarding the medical emergency from one or more physicians or other appropriate experts. (The agency must pay the expenses associated with obtaining agency-required certification from more than one source.)
- Any additional information required by the leave bank board.

*Note:* When an employee requests leave under the Voluntary Leave Bank Program, the agency may require the employee to document his or her relationship to a family member. Agencies should establish consistent rules and follow the same documentation requirements for all relationships, but agencies still have authority to request additional information in cases of suspected leave abuse.

#### ***Approval or Disapproval of Application to Become a Leave Recipient***

The leave bank board must determine that the potential leave recipient's absence from duty without available paid leave because of the medical emergency is (or is expected to be) at least 24 work hours, which may be consecutive or intermittent. For a part-time employee or an employee on an uncommon tour of duty, the period of absence without paid leave is prorated. This period of unpaid absence qualifies as a substantial loss of income for purposes of the medical

emergency determination. The leave bank board must provide timely written notification to an applicant as to whether or not his or her application has been approved. If the leave bank board disapproves an application, the notification must include the reasons for disapproval.

An employee may receive donated annual leave when he or she becomes an approved leave recipient.

#### ***Minimum and Maximum Limitations on Leave Donations***

The minimum contribution required to become a leave bank member cannot be less than the amount of annual leave he or she normally accrues in a pay period (i.e., 4, 6, or 8 hours). In any leave year, an employee may donate not more than one-half of the amount of annual leave he or she would accrue during the leave year. An employee with "use or lose" annual leave may donate the lesser of one-half of the annual leave he or she would accrue in a leave year or the number of hours remaining in the leave year for which he or she is scheduled to work and receive pay. These limitations apply to a combined total amount of annual leave donated by an employee under the VLTP and an agency leave bank program. Each agency must establish written criteria for waiving the limitations on donating annual leave. The maximum donation amount applies to the total amount of

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## Federal leave

### *Continued*

annual leave donated to the leave bank and leave transfer programs.

#### **Set-Aside Accounts**

While using donated leave, a leave recipient may accrue no more than 40 hours of annual leave and 40 hours of sick leave in “set-aside accounts.” The leave in the set-aside accounts will be transferred to the employee’s regular leave accounts when the medical emergency ends or if the employee exhausts all donated leave. Leave in set-aside accounts is not available for use by the employee until transferred to the employee’s regular leave accounts.

An employee who returns to work part-time and who uses donated leave part-time accrues leave in his or her regular annual and sick leave accounts for the time spent in work status and in his or her set aside annual and sick leave accounts for the time spent in shared leave status (when using donated leave).

#### **Leave Transfer Program**

An employee may donate annual leave directly to another Federal employee who has a personal or family medical emergency and who has exhausted his or her available paid leave. Each agency must administer a voluntary leave transfer program for its employees. There is no limit on the amount of donated annual leave a leave recipient may receive from the leave donor(s).

However, any unused donated leave must be returned to the leave donor(s) when the medical emergency ends. An employee may participate concurrently in both the VLTP and the Voluntary Leave Bank Program, if available.

#### **Emergency Leave Transfer Program**

In the event of a major disaster or emergency; as declared by the President that results in severe adverse effects for a substantial number of employees, the President may direct the U.S. Office of Personnel Management (OPM) to establish an emergency leave transfer program (ELTP). Under an ELTP, a covered employee in an executive agency or the judicial branch, or an agency leave bank, may donate annual leave for transfer to employees of the same or other agencies who are adversely affected, or have family members who are adversely affected, by the disaster or emergency (e.g., floods, earthquakes, hurricanes, bombings).

#### **Holidays**

Federal law (5 U.S.C. 6103) establishes the following public holidays for Federal employees. Please note that most Federal employees work on a Monday through Friday schedule. For these employees, when a holiday falls on a non-workday -- Saturday or Sunday -- the holiday usually is observed on Monday (if the holiday falls on Sunday) or Friday (if the holiday

falls on Saturday).

The following Federal holidays are established by law (5 U.S.C. 6103):

- New Year’s Day (January 1).
- Birthday of Martin Luther King, Jr. (Third Monday in January).
- Washington’s Birthday (Third Monday in February).
- Memorial Day (Last Monday in May).
- Independence Day (July 4).
- Labor Day (First Monday in September).
- Columbus Day (Second Monday in October).
- Veterans Day (November 11).
- Thanksgiving Day (Fourth Thursday in November).
- 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

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## Federal leave

### *Continued*

work schedule is planned or scheduled to be performed.

#### ***There Are Three Exceptions***

- If the non-workday is Sunday (or an “in lieu of” Sunday), the next basic workday is the “in lieu of” holiday.
- If Inauguration Day falls on a non-workday, there is no provision for an “in lieu of” holiday.
- If the head of an agency determines that a different “in lieu of” holiday is necessary to prevent an “adverse agency impact,” he or she may designate a different “in lieu of” holiday for full-time employees under compressed work schedules.

An employee is not entitled to another day off as an “in lieu of” holiday if a Federal office or facility is closed on a holiday because of a weather emergency or when employees are furloughed on a holiday.

#### ***Two Holidays in One Pay Period***

Occasionally, two holidays will fall within the same pay period. A full-time employee on a flexible work schedule is entitled to 8 hours of pay on a holiday when the employee does not work. (See 5 U.S.C. 6124.) Therefore, when two 8-hour holidays fall within the same pay period, full-time employees on a 5/4-9 flexible schedule (or other

flexible schedules under which employees work more than 8 hours a day) must make arrangements to work extra hours during other regularly scheduled workdays (or take annual leave or use credit hours or compensatory time off) in order to fulfill the 80-hour biweekly work requirement.

#### ***Holidays for Employees Outside the United States***

Holidays designated by law to occur on Monday (i.e., Birthday of Martin Luther King, Jr., Washington’s Birthday, Memorial Day, Labor Day, and Columbus Day) are moved to Sundays for employees at duty posts outside the United States who are regularly scheduled to work on Monday. This applies to employees whose basic workweek is Sunday through Thursday. However, it does not apply to employees whose basic workweek is Monday through Friday or Monday through Saturday. This rule does not apply to “in lieu of” holidays.

#### ***Presidential Closing of Agencies***

Presidents occasionally issue Executive Orders closing Federal departments and agencies for part or all of a workday. Employees are excused from duty during such periods unless they are “emergency employees,” as determined by their agencies. Such Executive Orders often provide that the time off will be treated like a holiday for pay and leave purposes.

Employees who are required to work during their basic tour of duty on such days are entitled to holiday premium pay.

#### ***Part-Time Employees***

A part-time employee is entitled to a holiday when the holiday falls on a day when he or she would otherwise be required to work or take leave. This does not include overtime work.

Part-time employees who are excused from work on a holiday receive their rate of basic pay for the hours they are regularly scheduled to work on that day.

#### ***Standard (40-Hour/5-Day Week) Work Schedules***

On a holiday, part-time employees under standard work schedules are generally excused from duty for the number of basic (non-overtime) hours they are regularly scheduled to work on that day, not to exceed 8 hours.

#### ***Flexible Work Schedules***

On a holiday, part-time employees under a flexible work schedule are generally excused from duty for the number of hours of their “basic work requirement” (i.e., non-overtime hours) on that day, not to exceed 8 hours. (See 5 CFR 610.405.) In the event the President issues an Executive order granting a “half-day” holiday, a part-time employee on a flexible work schedule is generally excused from duty for half the number of hours in his

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## Federal leave

*Continued*

or her “basic work requirement” on that day, not to exceed 4 hours.

**Compressed Work Schedules**  
On a holiday, part-time employees under a compressed work schedule are generally excused from all of the hours of their compressed work schedules (i.e., “basic work requirement”) on that day. (See 5 CFR 610.406(b).) In the event the President issues an Executive order granting a “half-day” holiday, a part-time employee on a compressed work schedule is generally excused from half of the hours

of his or her compressed work schedule on that day.

If a holiday falls on a non-workday, part-time employees are not entitled to an “in lieu of” holiday. If an agency’s office or facility is closed due to an “in lieu of” holiday for full-time employees, the agency may grant paid excused absence to part-time employees who are otherwise scheduled to work on that day.

If a holiday falls on a non-workday, part-time employees are not entitled to an “in lieu of” holiday.

# Alternative Work Schedules

An agency may implement for its employees an alternative work schedule (AWS) instead of a traditional fixed work schedule (e.g., 8 hours per day, 40 hours per week). Within rules established by the agency, alternative work schedules can enable employees to have work schedules that help them balance their work and family responsibilities. There are two categories of Alternative Work Schedules: Compressed Work Schedules (CWS) and Flexible Work Schedules (FWS).

## **Compressed Work Schedules**

Compressed Work Schedules (CWS) are fixed work schedules, but they enable full-time employees to complete the basic 80-hour biweekly work requirement in less than 10 workdays.

### *Employee Coverage*

A Federal employee, as defined in section 2105(a) or (c) of Title 5, United States Code, who is employed by an agency, as defined in 5 U.S.C. 6121(1), may be covered by a CWS. An employee may request to be excluded for a personal hardship.

### *Implementation Restrictions*

For employees in a bargaining unit, the agency must successfully negotiate a CWS program with the union for a represented group of employees prior to implementation.

For employees not in a bargaining unit, the agency must secure a favorable vote from the majority of employees in the affected group before implementing a CWS program.

You can find out more here: [Click Here](#).

### *Credit Hours*

Credit hours are not permitted under a CWS program. (See fact sheet [Click Here](#).)

### *Overtime*

For full-time employees, all hours worked in excess of the established compressed work schedule are overtime hours. For a part-time employee, overtime hours are hours in excess of the compressed work schedule for a day (but must be more than 8 hours) or for a week (but must be more than 40 hours).

### *Compensatory Time Off*

An employee on a CWS may request compensatory time off only for the performance of irregular or occasional overtime work. Compensatory time off may not be approved for any member of the Senior Executive Service (SES).

### *Night Pay*

The normal premium pay rules apply for night pay. See 5 CFR 550.121 and 122 for General Schedule employees and 5 CFR 532.505 for prevailing rate employees.

### *Holidays*

On holidays, an employee is normally excused from work and entitled to basic pay for the number of hours of his or her CWS on that day. In the event the President issues an Executive Order granting a “half-day” holiday, full-time CWS employees are normally excused from work during the last half of their “basic work requirement” (i.e., non-overtime hours) on that day.

### *Holiday Premium Pay*

Holiday premium pay (equal to 100% of the rate of basic pay) is paid for non-overtime hours of work that fall within the hours regularly scheduled on the holiday.

### *Sunday Premium Pay*

Sunday premium pay is paid for non-overtime work performed by full-time employees. For an employee on a CWS, Sunday premium pay is paid for the entire non-overtime regularly scheduled tour of duty that begins or ends on Sunday. It may not be paid for periods of non-work, including leave, holidays, and excused absence.

## **Flexible Work Schedules**

Flexible Work Schedules (FWS) consist of workdays with (1) core hours and (2) flexible hours. Core hours are the designated period of the day when all employees must be at work. Flexible hours are the part of the workday when employees may (within limits or “bands”) choose their time



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## Alternative Work Schedules

*Continued*

of arrival and departure. Within limits set by their agencies, FWS can enable employees to select and alter their work schedules to better fit personal needs and help balance work, personal, and family responsibilities. The OPM has created a handbook on flexible work schedules that can be downloaded here: [Click Here](#).

### **Employee Coverage**

A Federal employee, as defined in section 2105(a) or (c) of Title 5, United States Code, who is employed by an agency, as defined in 5 U.S.C. 6121(1), may be covered by a flexible work schedule. Flexible work schedules are voluntary work schedules that are approved by supervisors or managers. Employees are not automatically entitled to flexible work schedules.

### **Credit Hours**

Credit hours are any hours within an FWS that are in excess of an employee's basic work requirement (e.g., 40 hours a week) that the employee elects to work to vary the length of a workweek or a workday. Agencies may limit or restrict the earning and use of credit hours. OPM regulations prohibit Senior Executive Service (SES) members from accumulating credit hours under AWS programs. The law prohibits carrying over more than 24 credit hours from one pay period to the next.

### **Types of FWS**

There are various types of FWS arrangements that provide different degrees of flexibility. These include flexitour, gliding, variable day, variable week, and maxiflex schedules.

### **Overtime Hours**

Overtime work means all hours of work in excess of 8 hours in a day or 40 hours in a week, which are officially ordered in advance.

### **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.

### **Holidays**

On holidays, a full-time FWS employee is limited to 8 hours of basic pay. A part-time FWS employee is entitled to basic pay for the number of hours scheduled for the holiday, not to exceed 8 hours. In the event the President issues an Executive Order granting a "half-day" holiday, full-time FWS employees are entitled to basic pay for the last half of their "basic work requirement" (i.e., non-overtime hours) on that day, not to exceed 4 hours.

### **Holiday Premium Pay**

Holiday premium pay (equal to 100% of the rate of basic pay) is limited to non-overtime hours worked, not to exceed a maximum of 8 non-overtime hours per holiday.

### **Sunday Premium Pay**

Sunday premium pay is paid for non-overtime work performed by full-time employees only. A full-time FWS employee earns Sunday premium pay for an entire non-overtime regularly scheduled tour of duty (not to exceed 8 hours) that begins or ends on Sunday. It may not be paid for periods of non-work, including leave, holidays, and excused absence.

### **Adjustment of Work Schedules for Religious Observance**

To the extent that modifications in work schedules do not interfere with the efficient accomplishment of an agency's mission, an employee whose

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# Alternative Work Schedules

*Continued*

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). 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.

## **Employee Coverage**

Adjustments of work schedules for religious observances may be approved for an employee who is employed in or under an executive agency, as defined in section 105 of Title 5, United States Code.

## **Approval**

Agencies should require employees to submit a written request for an adjusted work schedule in advance. An employee should specifically state that his or her request is for religious purposes and should provide acceptable

documentation of the need to abstain from work.

When deciding whether an employee's request for an adjusted work schedule should be approved, a supervisor should not make any judgment about the employee's religious beliefs or his or her affiliation with a religious organization. A supervisor may disapprove an employee's request if modifications of an employee's work schedule would interfere with the efficient accomplishment of the agency's mission. If an employee's request is approved, a supervisor may determine whether the alternative work hours will be scheduled before or after the religious observance.

## **Documenting an Adjusted Work Schedule**

An employee's request for time off should not be granted without simultaneously scheduling the hours during which the employee will work to make up the time. This provides a clear record of the employee's adjusted work schedule. An employee should be allowed to accumulate only the number of hours of work needed to make up

for previous or anticipated absences from work for religious observances.

If an employee is absent when he or she is scheduled to perform work to make up for a planned absence for a religious observance, the employee must take paid leave, request leave without pay, or be charged absent without leave, if appropriate. These are the same options that apply to any other absence from an employee's basic work schedule.

## **Impact on Pay**

The overtime pay provisions of Title 5, United States Code, and the Fair Labor Standards Act of 1938, as amended, do not apply to employees who work different hours or days because of religious observances, even if an employee voluntarily works in excess of 40 hours per week or 8 hours per day for this purpose. If an employee is separated or transferred before using the time set aside for religious observances, any hours not used must be paid at the employee's rate of basic pay in effect when the extra hours of work were performed.

# Employee Assistance Programs

Every Federal agency has an Employee Assistance Program (EAP), which has the goal of helping employees with any problems they may face and restoring them to full productivity. Specifically, the EAP provides free, confidential short-term counseling to identify the employee's problem and, when appropriate, to make a referral to an outside organization, facility, or program that can assist the employee in resolving the issue. It is the employee's responsibility to follow through with this referral, and it is also the employee's responsibility to make the necessary financial arrangements for any treatment.

EAPs are available for employees who have alcohol and/or drug problems and who are seeking rehabilitation and the opportunity to become more fully productive members of the workforce. Managers and supervisors are urged to become familiar with the EAP and to make referrals and/or to recommend to employees that they seek help through the EAP. Participation in the EAP is voluntary; it is the employee's decision whether to participate or not.

In addition to substance abuse problems, most agency EAPs provide comprehensive counseling and referral services to help employees achieve a balance between work, family, and other responsibilities. Job effectiveness can be adversely affected when employees are faced with mental or emotional problems, difficult family situations, financial or legal difficulties, or dependent care needs. EAP can be extremely important in the prevention of, and intervention in, workplace violence incidents; the delivery of critical incident stress debriefings; and providing assistance to employees during agency restructuring.

To locate the EAP serving your Federal agency, call your Human Resources office and ask for the telephone number or visit [www.opm.gov/cclcontact](http://www.opm.gov/cclcontact) for a list of contacts.

# Federal Employees Group Life Insurance Program

The Federal government established the Federal Employees' Group Life Insurance (FEGLI) Program on August 29, 1954. It is the largest group life insurance program in the world, covering over 4 million Federal employees and retirees, as well as many of their family members.

FEGLI provides group term life insurance. As such, it does not build up any cash value or paid-up value. It consists of basic life insurance coverage and three options. In most cases, if you are a new Federal employee, you are automatically covered by basic life insurance and your payroll office deducts premiums from your paycheck unless you waive the coverage. In addition to the basic, there are three forms of optional insurance that you can elect. You must have basic insurance in order to elect any of the options. Unlike basic, enrollment in optional insurance is not automatic— you must take action to elect the options. You can find out how much these options will cost using this calculator: [www.opm.gov/retirement-services/calculators/fegli-calculator](http://www.opm.gov/retirement-services/calculators/fegli-calculator).

The cost of basic insurance is shared between you and the government. You pay 2/3 of the total cost and the government pays 1/3. Your age does not affect the cost of basic insurance. You pay the full cost of optional insurance, and the cost depends on your age. The US Postal Service pays the

entire cost of Basic insurance for its employees.

OPM has a contract with the Metropolitan Life Insurance Company (MetLife) to provide this life insurance. MetLife has an administrative office called the Office of Federal Employees' Group Life Insurance (OFEGLI). OFEGLI is the contractor that adjudicates claims under the FEGLI Program.

## Important Information about the Defense of Marriage Act (DOMA)

On June 26, 2013, the Supreme Court ruled that Section 3 of the Defense of Marriage Act (DOMA) is unconstitutional. As a result of the Supreme Court's decision, the United States Office of Personnel Management (OPM) will now be able to extend certain benefits to Federal employees and annuitants who have legally married a spouse of the same sex, regardless of the employee's or annuitant's state of residency.

## Basic and Optional Insurance

### *Basic Insurance/Basic Insurance Amount (BIA)*

As an eligible employee, you are automatically enrolled in Basic insurance unless you waive this coverage. Your Basic Insurance Amount (BIA) insurance covers your life for whichever is greater:

- 1) Your annual rate of basic pay, rounded up to the next even \$1,000, plus \$2,000; or
- 2) \$10,000.

## Optional Insurance

If you have Basic insurance, you may also elect Optional insurance. You are not automatically covered by Optional insurance like you are with Basic insurance. You must take action to elect Optional insurance. You pay the full cost for all Optional insurance you elect. You must have Basic insurance to elect any Optional insurance. Optional insurance provides coverage in addition to what you have with Basic insurance.

There are three types of Optional insurance:

Option A-Standard.

Option B-Additional, and Option C-Family.

Option A insures your life for \$10,000.

Option B insures your life for 1, 2, 3, 4, or 5 multiples of your annual rate of basic pay rounded up to the next even \$1,000.

Option C insures the lives of your spouse and eligible dependent children. It comes in 1, 2, 3, 4, or 5 multiples of coverage. Each multiple is equal to \$5,000 for a spouse and \$2,500 for each eligible dependent child.

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# Federal Employees Group Life Insurance Program

*Continued*

## **Obtaining Coverage under FEGLI as a New Employee**

Most Federal employees are automatically enrolled in basic insurance unless they waive this coverage. Basic is effective on the first day you enter in a pay and duty status in an eligible position.

Once you have basic insurance, you may also elect optional insurance. You must specifically elect the types of optional insurance you wish to carry within 60 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**

If you are under age 45, you automatically have extra coverage without paying any additional premium. This Extra Benefit increases the amount of Basic insurance payable at the time of your death if you die before age 45. The Extra Benefit doubles the amount payable for Basic if you are age 35 or younger when you die. This extra amount decreases each year by 10% until there is no "extra" coverage payable if you die at age 45 or older.

## **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**

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 cents) monthly. If you are a postal employee, the U.S. Postal Service pays the entire cost of your basic life insurance.

You pay the full cost of all optional insurance. The cost depends on your age and the amount of insurance you have. Your agency will withhold the premiums from your pay.

## **When Salary Is Too Low to Cover Cost**

If your pay is too low to allow a withholding for life insurance premiums and your human resources office expects this condition to last for more than six months, you will have a choice. You can choose either to terminate some or all of your insurance coverage or to continue the coverage and pay the premiums directly. Your human resources office can provide more details.

## **Automatic Increases as Salary Rises**

The amount of your FEGLI

automatically increases when your salary goes up, whenever your annual pay is increased by an amount sufficient to raise the pay to the next \$1,000 bracket.

## **No Maximum Amount for Basic Insurance**

There is no maximum amount of basic insurance that an employee can have. The amount is based on your annual basic rate of pay.

## **Borrowing Against the Policy**

The FEGLI Program provides group term insurance. It does not have any cash value and you cannot borrow against your coverage. The only opportunities to get money from your coverage while you are still alive are (1) if you are terminally ill and qualify for Living Benefits, or (2) if you are terminally or chronically ill and assign your coverage to a viatical settlement firm.

## **Accidental Death or Dismemberment**

In the event of a fatal accident or an accident that results in the loss of a limb or eyesight, FEGLI includes Accidental Death and Dismemberment (AD&D) for employees. AD&D coverage cannot be carried into retirement. AD&D benefits are paid in addition to regular death benefits. For the Office of Federal Employees' Group Life Insurance to pay benefits, the death or loss must occur within



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## Federal Employees Group Life Insurance Program

*Continued*

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.

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.