### VOLUME 8, CHAPTER 1: “INTRODUCTION AND OVERALL REQUIREMENTS”

#### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated May 2013 is archived.

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CHAPTER 1
INTRODUCTION AND OVERALL REQUIREMENTS

0101 GENERAL

010101. Purpose

This chapter prescribes the principles, objectives, and related requirements for Department of Defense (DoD) civilian employee pay operations and systems. The regulations provided in this chapter apply to any civilian pay system used for employees who are paid from appropriated, revolving, or trust funds. These requirements apply to the processes related to computing payments, leave, deductions, and maintaining records for permanent, temporary, full-time, part-time, irregular, and special category employees.

010102. Authoritative Guidance

The authority of the Department to establish payroll procedures is derived from Title 5 United States Code (U.S.C.) Chapters 53, 55 and 81. Other responsibilities, duties and liabilities are established under 31 U.S.C. sections 3527, 3528, 3529, and 3541. Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

*010103. Additional Guidance

Additional guidance referenced in this volume includes, but is not limited to, the following:

A. Title 5 Code of Federal Regulations (C.F.R). Interim changes and final rulings pertaining to civilian pay operations and systems are published in the Federal Register (FR) by the Executive departments, typically in Title 5. Title 5 C.F.R. is updated annually with information from the FR and both publications must be used together to determine the latest version of any rule.

B. Federal Register. The FR is the official journal of the federal government that makes publically available all government agency rules, proposed rules, and public notices. The FR is published daily, except on federal holidays. The final rules posted by a Federal agency and published in the FR are ultimately reorganized by topic or subject matter and codified in the C.F.R. See 1 C.F.R. Part 2.

C. Executive Order. An executive order is an order or regulation issued by the President in order to implement, interpret, or give effect to a federal law, treaty or provision of the Constitution. To have the effect of law, an executive order must be published in the FR.

D. Public Laws. After the President signs a bill into law, it is delivered to the Office of the Federal Register where it is assigned a public law number. The public laws are
compiled, indexed and published the United States Statutes at Large, the permanent bound volume of the laws for each session of Congress.

E. **DoD Instructions (DoDI) 1400.25.** The DoDI 1400.25, Civilian Personnel Management, is composed of several volumes. The purpose of the Instruction is to establish and implement policy, establish uniformed procedures, provide guidelines and model programs, delegate authority, and assign responsibilities regarding civilian personnel management within the DoD.

F. **Policy and Guidance from the Office of Personnel Management (OPM).** OPM provides leadership to other Federal agencies on pay and leave administration policies and programs. OPM maintains pay tables for General Schedule employees, manages the Federal Wage System, and develops and provides Government-wide regulations and policies on other pay and leave authorities. Ultimately, each Federal agency is responsible for complying with the law and regulations and following OPM's policies and guidance to administer pay policies and programs for its own employees. OPM issues policies and guidance in the following publications:

1. **Benefits Administrative Letters (BALs).** OPM is responsible for overseeing Federal benefits and publishes BALs to provide guidance to agencies on various aspects of Federal benefits administration.

2. **Handbooks.** Handbooks provide information on various topics pertaining to Federal employee pay, leave, and work schedules.

3. **Memoranda.** These memoranda are provided by the Chief Human Capital Officers Council (CHCOC), a forum of senior agency management officials who support OPM. The memoranda are issued to agencies to advise and coordinate on matters such as legislation affecting human resources operations and organizations.

0102 OVERALL REQUIREMENTS

010201. Overview

A. As determined by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Defense Civilian Pay System (DCPS) is the Department’s only approved standard civilian payroll system for employees paid from appropriated, revolving, or trust funds. The Defense Finance and Accounting Service (DFAS) is responsible for maintaining system requirements in compliance with all applicable laws and regulations, guidance issued by OPM, Federal, and other taxing authorities, the Department of the Treasury (Treasury), the Department of State, and the Department of Labor.

1. Any approved unique payroll system must be integrated or interfaced with other applicable systems, such as DCPS, general ledger, or installation-level general accounting system.
2. The Director of DFAS must approve continued operation of any such unique payroll system.

B. DoD payroll operations and systems must meet the following objectives:

1. Make timely and accurate payments to all those entitled to be paid, in compliance with appropriate statutes and regulations, with consideration being given to all authorized deductions from gross pay;

2. Account for and disposition of all authorized deductions from gross pay;

3. Control, retention, and disposition of all payroll related documents;

4. Prepare adequate and reliable payroll records to support managerial responsibilities; planning, preparing, executing, and reviewing the budget; and required internal and external reporting;

5. Support effective communication between employing activities and employees on payroll matters in addition to timely, accurate, and responsive customer service action to resolve payroll related inquiries from employees;

6. Control all phases of pay, leave, entitlements, and allowances;

7. Interface the payroll function with general ledger, cost accounting, and personnel functions, with provisions for reconciling common data elements in the payroll system and these interrelated systems;

8. Provide capability to query current, historical, and/or archived data;

9. Provide audit trails to permit the tracing of transactions through the payroll system;

10. Comply with accounting system development criteria specified in Volume 1;

11. Comply with internal control requirements, including data security and prevention of data disclosure, as specified in Volume 1; and

12. Comply with DoD direction to standardize data elements to promote cross-functionality and integration efforts.

010202. Funds Control

A. Funds used to pay DoD civilian employees are appropriated by Congress and apportioned to the Department by Office of Management and Budget. At least monthly, an
estimate of obligations must be made for the payroll. As the payments are made, estimates must be adjusted to reflect actual payment data.

B. Department civilian payroll systems must be integrated or interfaced with, and fully support, the accounting systems. These systems must consist of detailed accounts and records that are kept as a subsidiary to, or support for, controlling or summary accounts in the general ledger of the accounting systems. The payroll system must produce required obligation and accrual data needed by accounting systems.

010203. Requirements

The Director, DFAS, is responsible for the overall planning and general direction of the pay, leave, and allowance functions and system. This responsibility necessitates that adequate written procedures are established and implemented, that all personnel are adequately trained in their functions, and that sufficient internal controls are installed and management oversight is established and implemented to ensure compliance with payroll system objectives. See DoD Directive (DoDD) 5118.05. The Director, DFAS must also ensure that payroll systems meet legal criteria and the following requirements.

A. Payroll procedures must be:

1. Clearly written and be in accordance with applicable laws, regulations, and legal decisions;
2. Amended to reflect changes in applicable laws, regulations, and legal decisions;
3. As uniform as possible throughout the Department;
4. Distributed to payroll staffs and be available to individual employees as needed to ensure efficient and effective operations; and
5. Reflective of clear assignments of responsibility, delegation of authority, and separation of duties for personnel who compute the payroll, certify payments, record payroll data in the accounts, distribute pay, review payroll transactions, and develop, test and maintain supporting computer systems.

B. Personnel engaged in pay, leave, and allowance activities must:

1. Be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions;
2. Be adequately supervised to help prevent any unauthorized, fraudulent, or other irregular act;
3. Perform operations effectively, efficiently, and economically in accordance with laws, regulations, and legal decisions;

4. Review the operations, including internal controls, on an ongoing basis to ensure such performance; and

5. Identify and resolve inconsistencies in information submitted, processed, and reported during the various payroll cycles.

C. Payroll systems must be integrated or interfaced with:

1. Personnel systems to obtain current information on which to process pay entitlements, leave, and allowances. Timely information is needed to minimize the possibility of fraud, waste, and mismanagement and maximize the accuracy of employee payments;

2. The general ledger system to provide information to prepare various financial statements;

3. Cost accounting systems to distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments; to help in properly evaluating operations and management; and to support budget formulation and execution; and

4. Other financial management systems to meet reporting and management objectives.

D. The interfaces discussed in subparagraph 010203.C must be used to assist in timely reconciliation of data elements and discrepancies noted between systems.

E. Transactions recorded in the pay, leave, and allowance records must be adequately supported by properly authorized documents.

F. Continuity of Operations Plans and associated procedures will be established and maintained to back-up data properly in the event of power failure, equipment malfunction, terrorist threat, natural disasters, or other hazards.

G. External audits and internal examinations of payroll operations must be made by persons not engaged in those operations to determine whether such operations are efficient, effective, and economical and are in accordance with laws, regulations, and legal decisions.

H. The frequency with which payrolls must be prepared has considerable bearing upon the cost of carrying out the payroll functions. So that payroll operations may be performed without incurring undue cost, employees’ pay must be computed on a biweekly basis, unless law requires a different timeframe. Special payments are prohibited except as addressed in Chapter 8. Advances of pay are covered in Chapter 3. All employees will be informed of the designated payday. Pay should be made available to the employees on the day designated as the
payday. The payday lag between the close of the pay period and payday must not exceed 12 calendar days. When a payday falls on a holiday or an “in lieu of” holiday, the payday will be on the first preceding business day.

010204. Privacy Act Requirements

A. **Privacy Act Statements.** All forms used to collect personal information covered by the Privacy Act of 1974, and 5 U.S.C.552a. Forms must have a Privacy Act statement either incorporated in the body of the document, at the top of the form, or in a separate statement accompanying each form. See DoD 5400.11-R for information on what is included in the Privacy Act statement. A Privacy Act statement must be provided to an employee when they are required to furnish personal information such as name, date of birth, or Social Security Number (SSN) for inclusion in a system of records. Refer to the [The Office of the Secretary of Defense and Joint Staff Privacy Office](https://www.defense.gov/Privacy) or the [Defense Privacy and Civil Liberties Division](https://www.dtic.mil/civil-liberties/) for the Privacy Act system of records information pertaining to the DCPS system.

B. **Access and Accountability.** Refer to DoD 5400.11-R, DoD Privacy Program for guidance on employee access to records in accordance with the Privacy Act. Agencies responsible for maintaining Privacy Act information must maintain records of information released and process requests for correction of records in accordance with the DoD 5400.11-R.

0103 ELECTRONIC FUNDS TRANSFER (EFT) FOR FEDERAL CIVILIAN SALARY PAYMENTS

010301. General

A. **Authority.** The Debt Collection Improvement Act of 1996 (Act) required all Federal payments be made by EFT, with the exception of tax refunds, beginning January 2, 1999. See 31 U.S.C. 3332. Regulations implementing requirements for EFT payments were issued by Treasury, Financial Management Service (FMS) at 31 C.F.R. Part 208.

B. **Policy.** The Department requires participation in EFT unless a waiver applies. The policy covers all categories of DoD personnel including civilians, military, military retirees, non-appropriated fund (NAF) personnel, and annuitants. See Volume 5, Chapter 7.

C. **Agency Responsibilities.** An agency shall put into place procedures that allow recipients to provide the information necessary for the delivery of payments to the recipient by EFT to an account at the recipient's financial institution. See 31 C.F.R. 208.7.

1. Director, DFAS, in conjunction with the Office of the Deputy Chief Financial Officer must:

   a. Publish EFT payment policy and implementing procedures for payment of all DoD civilian personnel;
b. Coordinate the presentation of issues and proposed exceptions in the Department's mandatory EFT policy to Treasury for approval;

c. Prepare appropriate reports for submission to Treasury;

d. Provide quarterly reports that reflect the level of EFT participation to DoD and non-DoD-serviced agencies; and

e. Furnish a report of employees paid by DFAS, who do not participate in EFT, to employing organizations at the end of each quarter.

2. DoD Component Personnel Directors must:

   a. Ensure all civilian employees are informed of the conditions under which participation in the EFT program is required; and

   b. Promote EFT enrollment. After the end of each fiscal year quarter, employing activities will be provided a report containing a list of employees that are not enrolled in EFT.

3. Directors or Commanders of all DoD Activities must:

   a. Ensure that all personnel are made aware of, and comply with, the mandatory EFT provisions;

   b. Monitor EFT participation;

   c. Ensure that waivers for all eligible employees are on file;

   d. Ensure reimbursements are made to civilian employees who incur charges due to the government's failure to accurately and timely deposit pay in their EFT accounts (see paragraph 010303); and

   e. Provide information for reporting purposes to DFAS Sites when so requested (see paragraph 010304) including NAF personnel.

D. Waivers

1. **Authorized Waivers.** Payment by EFT is not required in all cases and may be waived under certain circumstances. See 31 C.F.R. 208.4.

2. **Waiver Submission.** An employee who requests a waiver shall provide, in writing, to Treasury a certification supporting that request, in such form that the Treasury may prescribe. The employee shall attest to the certification before a notary public or otherwise file the certification in such form that Treasury may prescribe. See 31 C.F.R. 208.4.
010302. EFT Enrollment

A. The preferred method of enrollment in the EFT program is by e-Commerce solutions and applications such as myPay. Such tools empower the employee to establish, change, or delete an EFT election without third party intervention.

B. To enroll in the EFT program without using the self-service capability, an employee must complete one of the following Direct Deposit authorization forms and submit the form to the local Customer Service Representative (CSR):

1. Standard Form (SF) 1199A, Direct Deposit Sign-Up Form, which includes a section that must be completed by the employee’s financial institution; or

2. FASTSTART Direct Deposit (FMS Form 2231), which does not require approval by a financial institution.

010303. Reimbursement of Financial Institution Charges

Charges by financial institutions resulting from erroneous information provided by the individual or the financial institution to the civilian payroll office (PRO) are not the liability of the government and will not be reimbursed. Reimbursement is authorized and limited to overdraft charges or minimum balance or average balance charges levied by the financial institution because of an administrative or mechanical error on the part of the government that causes pay to be deposited late, or in an incorrect manner or amount. See 10 U.S.C. 1594.

010304. Reporting Requirements

Each quarter, payroll offices will provide EFT participation and non-participation reports to the serviced activities for managing EFT participation. For reporting guidance, refer to Chapter 9.

010305. Payments Other than EFT

A. The disbursing officer mail checks to the non-work address provided by the employee. On an exception basis, checks may be delivered to designated agents in the employing offices for delivery to the employees at the work locations.

B. In those situations when delivery of paychecks to individuals by designated agents is authorized, persons designated to deliver these paychecks must not participate in the following activities: preparing, approving, or certifying vouchers and personnel action documents; maintaining the payroll; time and attendance records; and leave records. Each employee must be known by, or identified by, the person who delivers the employee's paycheck. Checks not delivered within the time specified by the disbursing officer must be returned to the disbursing or issuing officer. All checks must be kept in a safe or locked fireproof cabinet, pending distribution to the employee or return to the disbursing or issuing officer. For additional guidance, see Volume 5, Chapter 7.
C. If, under extraordinary circumstances, payments must be made in cash, then DoD civilian employees must properly identify themselves and must acknowledge payment by signing a receipt form when payments are received. Requiring receipts in advance of actual cash payments are prohibited. All payments must be made only by persons who have been authorized to perform disbursing functions and were not part of the pay computation process. For additional guidance, refer to Volume 5, Chapter 9.

0104 ESTABLISHMENT AND CONTROL OF EMPLOYEES’ PAY RECORDS

010401. Use of the SSN for Identification

A. The SSN will be used to identify all employees paid by DFAS.

B. The SSN has nine digits, with hyphens as separators before the fourth and sixth digits. The Social Security Administration (SSA) does not issue SSNs containing alpha characters. Therefore, adding a prefix or suffix is not authorized for reporting purposes. Only the nine digits are used in internal computer processing; however, the hyphens may or may not be printed on output documents.

C. Employees, who do not have, and are not eligible to obtain, a SSN from the SSA are issued an Individual Taxpayer Identification Number (ITIN).

D. Civilians who are concurrently employed in more than one position must use the same identifier across every position. Person identifier data will support the capability to correct and update a person’s identity information. See DoDI 1444.02.

010402. Individual Employee Pay Records

A. Each employee must have an individual pay record maintained as part of the master pay record. Except in the case of multiple appointments, only one pay record must be active at any given time for each authorized position. If more than one pay record is maintained, then the rationale must be thoroughly documented, and an audit trail maintained. Sufficient information on active pay records must be retained or be accessible at the PRO to facilitate manual input, payment, and/or performance of other required administrative functions.

B. The pay record must contain all transaction information related to payments and deductions with an audit trail to the authorizing source document. The individual pay record must contain information on rates of pay pertaining to:

1. All earnings separately identified by type (e.g., overtime, night differential, danger pay);

2. All deductions separately identified by type (e.g., charity, union, Federal Employees Health Benefits (FEHB), Federal Employees Group Life Insurance (FEGLI));
3. Subject-to amounts for computation of applicable deductions (e.g., subject-to Thrift Savings Plan (TSP));

4. Subject-to Old-Age, Survivors, and Disability Insurance (OASDI) and retirement;

5. All government contribution amounts separately identified by type (e.g., FEHB, basic FEGLI, TSP matching); and


C. The pay records must be supported by time and attendance and leave records. Time and attendance records contain all hours for a pay period based on the effective work schedule. All hours worked (regular and premium) and leave taken (paid and unpaid) are used in the computation of pay. Leave records include annual, sick, and any other leave earned, taken, lost, forfeited, restored, or advanced, including appropriate unused leave balances. The pay record must contain other information, such as year-to-date and quarter-to-date totals, as necessary, for computing pay and preparing reports.

D. The DCPS pay record history contains data from the current pay period, plus 26 previous pay periods for stateside employees and current plus 64 pay periods for teachers and employees overseas. The DCPS pay record history is used for research and retroactive processing. Year-to-date information must be maintained for the current and prior pay years. Disposition of pay records must be in accordance with the NARA, General Records Schedule 2.

010403. Payroll Substantiating Document File

A. With a centralized civilian payroll function, separate document files are required and maintained for each employee. The PRO must maintain those documents applicable to the PRO functions and responsibilities. The CSR/employing activity must maintain those documents applicable to CSR responsibilities.

B. All source documents that substantiate the employee's entitlement to compensation, leave, benefits, and authorizations or support deductions, whether maintained in hardcopy or electronic format, must be safeguarded from improper, unauthorized access or use. Disposition of payroll related documents, whether maintained by the PRO or the CSR, must be in accordance with NARA, General Records Schedule 2. Each agency may establish specific document retention policy, however, the policy must not impose a lesser retention requirement than NARA requirements.

C. Other records incidental to the payroll process, such as employee requests for tax withholding, employee requests for TSP deductions, savings bond records, and other records not pertaining to individuals, but rather to the general administration of the PRO and the payroll function, are addressed in the NARA, General Records Schedule 2.
D. All source documents must be readily available for research. The disposition of active and inactive files must be in accordance with NARA, General Records Schedule 2.

E. All documents, manual and electronic, must be protected in accordance with Privacy Act requirements.

010404. Document Control

In order to ensure timely processing of payroll documents and to facilitate audits and reconciliation of individual pay accounts, retention sites must control source documents. Local document control procedures may be used as long as appropriate control and access are maintained.

010405. Personnel Actions

A. As indicated in subparagraph 010201.A.1, the DoD payroll system is integrated or interfaced with the DoD personnel system. The payroll system must use the information authorized by the personnel system upon which to base pay and leave entitlements and some deduction calculations.

B. Source documentation for actions originating with the Human Resources Office (HRO) must be maintained by the HRO. For those instances where the systems do not permit interface of the actions, the HRO must provide the payroll office a hardcopy or electronic copy of the document, which also must be maintained by the payroll office.

010406. Payroll Controls

Appropriate controls must be established for all payroll functions.

A. The controls must ensure the timely, correct, complete, accurate, and properly authorized processing of payroll documents, which include, but are not limited to, the following:

1. Corrections and Adjustments. An authorized official must approve in writing or through electronic signature (made by entering designated codes into an automated system under safeguards to prevent unauthorized use) corrections and other adjustments to data in official records, as follows:

   a. Records of all changes made after records have been approved or certified must be generated and maintained;

   b. Manual corrections to documents made after the documents have been approved or certified must be made in a way that does not obliterate the original entries. Corrections must be approved by a designated authorizing official; and
1. Automated system changes to data must be made in such a way that an audit trail is maintained to show or provide a reference to documents which show the original and new data and the authorization for the change. Such changes may be made only based on properly approved documents authorizing the changes.

2. **Separation of Duties.** In general, this separation of duties refers to the PRO and system development personnel. In order to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts, the following list of payroll duties must be separated to ensure that no one person performs all phases of a transaction without the possibility of intervention or review by some other person or persons:

   a. Certification of payments,
   
   b. Payroll computation,
   
   c. Recording of payroll account data,
   
   d. Distribution of pay,
   
   e. Review of payroll transactions,
   
   f. Automated system development,
   
   g. System testing,
   
   h. System implementation, and
   
   i. System maintenance.

3. **Access Restrictions.** The following access must be restricted to authorized personnel:

   a. Personnel, payroll, and disbursement records or data files; and
   
   b. Forms used in authorizing special entitlements, allowances, and pay rates; and
   
   c. Payroll processing equipment and related software.

4. **Employee Access.** In general, employees must not maintain or provide service for their own payroll and/or personnel records. This internal control must be incorporated into security system software that governs access to civilian payroll system records. Employees may provide authorizing source documentation to the servicing CSR or input data using an electronic self-service application. Types of employee transactions maintained by the CSR or input by the employee through such an application are:
a. Distribution of net pay election and voluntary allotments;

b. Routine deductions, such as withholding elections for federal, state, and local tax purposes; and

c. Time and attendance as provided for in Chapter 2.

5. **CSR Access.** Examples of transactions that the servicing CSRs have access to are:

a. Authorizations for charity contributions;

b. Authorizations for employee organization dues withholding;

c. Leave transferred-in for a new employee based on the employee’s latest Leave and Earnings Statement; and

d. Restored annual leave.

6. **Computerized Edits.** To detect inappropriate data at the earliest time and to the extent practical, data entered into automated payroll systems must be subjected to computerized edits at the time of entry.

B. Controls that help ensure that computerized payroll operations process transactions and produce reports accurately which include but are not limited to the following techniques:

1. Employ generally accepted testing procedures for computer programs and changes to programs prior to placing them in the production/operation environment. Testing procedures must include testing the various data elements and computational procedures as needed to ensure that all are operating as intended;

2. Certify acceptance of software changes by the civilian payroll system acceptance team;

3. Perform periodic preventive maintenance on hardware, noting and promptly resolving problems;

4. Include the following techniques in the tests performed:

   a. Ensure that the most current personnel data is available for verification and pay computations;

   b. Use proper security authorization protocol by all authorized system users;
c. Accept data entry from authorized sources only;

d. Verify data entry using batch control procedures, when applicable; and

e. Provide system generated research tools useful in the resolution of any detected anomalies.

5. Provide audit trails for the detection and systematic correction of errors by enabling the system to trace or replicate transactions (including system-generated transactions) from the source to the resulting record or report or from the record or report back to the source.

010406. Reconciliation with Human Resource Office

Payroll offices must ensure that payroll data is complete, correct, and accurate. DCPS and HR must each perform a reconciliation of employee records to ensure that shared data matches.

A. Reconciliation of common data (for example; work schedule, salary, and date of birth.) between the human resources system and the civilian payroll system must be accomplished at least every 4 months. The appropriate HRO reviews the reconciliation and annotates any mismatches. HRO resolves mismatches where possible and provides supporting documentation to the PRO for resolution in the cases of payroll record errors. The PRO must ensure thorough reviews and necessary corrections to the civilian payroll system database. The PRO must accomplish the payroll portion of the reconciliation within 10 workdays after receipt of the annotated reconciliation documentation from HRO. The PRO must maintain historic records to ensure timely compliance with this reconciliation requirement.

B. Based on the predetermined schedule, the civilian payroll system will generate and transmit reconciliation files to the appropriate personnel system host. The schedule is established and published by the civilian payroll system manager in conjunction with the personnel system manager.
VOLUME 8, CHAPTER 2: “TIME AND ATTENDANCE (T&A)”

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CHAPTER 2

TIME AND ATTENDANCE (T&A)

0201  GENERAL

020101.  Overview

This chapter sets out T&A policy and requirements for the Department of Defense (DoD) agencies. It contains established policies, defines responsibilities, and prescribes internal controls in support of T&A recording and reporting requirements for the Defense Civilian Pay System (DCPS).

020102.  Purpose

This chapter provides guidance on DoD civilian employee T&A policy and requirements.

020103.  Authoritative Guidance

Statutes, regulations, and other guidance are referenced under each section of this chapter. For additional guidance, see “Maintaining Effective Control over Employee Time and Attendance Reporting” Government Accountability Office 03-352G.

0202  RESPONSIBILITY OF EMPLOYING AGENCY, APPROVING OFFICIAL, AND TIMEKEEPER

020201.  Employing Activity Responsibility

An employing activity must ensure compliance with the following T&A functions:

A.  Individuals recording and approving T&A are properly trained;

B.  The recording and approval of T&A are performed timely and accurately by the responsible individuals;

C.  All supporting documentation is available for review and audit;

D.  All procedural guidance is clear, adequate, and available to all individuals recording and approving T&A;

E.  Every effort is made to correct errors within the pay period to which the changes apply;

F.  A supervisor or other equivalent official approves all corrections or adjustments and promptly reports the approved corrections to the civilian payroll office (PRO); and
G. All individuals responsible for reporting, approving, reviewing, or processing T&A data, in any form, must be held accountable for the accuracy, integrity, and security of the information. The discovery of any violations of internal controls, improper input of T&A data, or security breaches must be immediately reported to an appropriate supervisory official.

020202. Approving Official’s/Supervisor’s Responsibility

An approving official, usually the employee’s supervisor, maintains the primary responsibility for authorizing and approving T&A transactions. An approving official must perform the following T&A functions:

A. When approving T&A, all supervisors, other equivalent officials, or higher-level managers must certify, to the best of their knowledge, that work schedules are accurately recorded. An employee’s supervisor should be aware of an employee’s work schedule, leave taken, and any absence from duty and must review and approve the T&A to ensure its accuracy. Supervisors must ensure that exceptions to the employee’s normal tour of duty are recorded in a timely and accurate manner.

B. The supervisor may assign responsibility for observing daily attendance or accurately recording T&A data to a timekeeper or, in limited circumstances, to the individual employee. However, the supervisor is still ultimately responsible for the timely and accurate reporting of the T&A in accordance with applicable policies, regulations, instructions, and bargaining agreements. The supervisor must inform the timekeeper when an employee is on leave or has worked any type of premium work. The supervisor may assign an alternate timekeeper to maintain T&A during the absence of the primary timekeeper.

020203. Timekeeper Responsibility

Timekeeping is a critical function that may be performed by the individual employee, a designated timekeeper (which can be a civilian employee, contractor, or military personnel), the employee’s supervisor, or a combination of these individuals. A timekeeper must perform the following T&A functions:

A. A timekeeper must accurately and timely record T&A data and maintain all related documentation, and

B. A timekeeper must be aware of the employee’s attendance and absence each day.

020204. Timekeeper Functions

Individuals performing the timekeeping function are specifically responsible for:

A. Recording all exceptions to the employee's normal tour of duty promptly and accurately;
B. Ensuring that employees have attested to the accuracy of both their current pay period’s T&A (including any exceptions such as the use of leave) and to any adjustments or corrections to a previously approved T&A. If the employee is not available prior to the approval of the T&A, then attestation must be documented as soon as possible. An employee’s attestations must be documented in writing or electronically and may be in the form of:

1. A manually completed hard copy document such as a sign-in, sign-out sheet;
2. A printout of an automated record such as a T&A report with the employee’s signature written or electronic; or
3. T&A report with the employee’s initials or an automated or electronic record showing that the employee has affirmed the correctness of the data; and

C. Ensuring that all entries for overtime, compensatory time earned, or holidays worked have been approved, and that total hours are correct, before submission for a supervisor’s approval and certification.

0203 GENERAL T&A REQUIREMENTS

020301. Daily Record of Time

For each civilian employee, a daily record of time spent in pay and non-pay status must be maintained either by a designated timekeeper, who takes no part in preparing the payroll, or by automated or electronic devices, unless otherwise prohibited. When such devices are used, adequate supervisory surveillance must be maintained to ensure proper and accurate time recording.

020302. Time Period

The time period shown on the T&A must correspond to the length of a pay period. For example, if payment is made for a 2-week period, then the T&A must cover a 2-week period.

020303. Charge of Annual Leave

T&A must clearly indicate whether annual leave taken is to be charged against the employee’s current leave account or to a separate leave account established for restored leave. The employee’s regular leave account will be charged unless the annual leave taken is identified as being charged to the employee’s restored leave account.

020304. Accounting for Time and Leave

The T&A must reflect a proper and accurate accounting of an employee’s actual T&A and leave.
020305. Data Element Values

For each employee, the minimum data element values to be included on the T&A or supporting documentation are as follows:

A. Employee name;
B. Social Security number;
C. Pay period number or pay period dates;
D. Number of all hours worked by day, by type and totals;
E. Number of hours of premium work by type, to which the employee is entitled;
F. Dates and number of hours of leave by type;
G. Any required supporting documentation for absences, such as Office of Personnel Management (OPM) leave forms, jury duty orders, or military orders;
H. Handwritten signature or automated approval of the supervisor; and
I. Any other information as may be required in support of the T&A.

020306. Work Schedules

The work schedule defines the basic work requirement as the number of hours, excluding overtime hours, an employee is required to work or to account for by charging leave. Generally, a full-time employee’s basic work requirement is 80 hours in a pay period. Attendance and absence must be consistent with the employment status for the individual. An approved work schedule for each employee will be maintained showing the planned arrival and departure for each day. Alternate Work Schedules (AWS) may be used by agencies. For additional guidance on AWS, refer to the OPM Handbook on Alternative Work Schedules. Refer also to DoD Instruction (DoDI) 1400.25, V610.

A. Flexible Work Schedule (FWS)

Under certain flexible schedules, DoD civilian employees may work longer or shorter hours, including credit hours on any given workday, without taking leave or being paid overtime, so long as their basic biweekly work requirements are met. See Title 5, United States Code (U.S.C.), section 6121 and DoDI 1400.25, V610. By electing to work hours in excess of their tour of duty, employees may also complete the biweekly basic work requirements in fewer than 10 workdays without being paid overtime or being charged leave for the non-workdays.

1. Material Variances or Deviations. Material variances or deviations, as determined by the FWS, must be approved by the supervisor before the change occurs, or
promptly after occurring, if not feasible prior to the change. Supervisors must verify that the dates and the material variances or deviations have been recorded in the T&A.

2. Types of FWS. Full-time employees with an 80-hour biweekly work requirement may determine their own schedule within the limits set by the employing activity. A part-time employee may determine his or her own schedule for a biweekly work requirement of less than 80 hours. According to the OPM Handbook of Alternative Work Schedules, the FWSs include the following:

   a. Flexitour. Flexitour is a work schedule in which an employee is allowed to select starting and stopping times within the flexible hours. Once starting and stopping times are selected, the employee continues to adhere to these times until the employing activity provides further opportunities to select different starting and stopping times.

   b. Gliding Schedule. Gliding schedule is a FWS in which an employee has a basic work requirement of 8 hours in each day and 40 hours in each week. Employees may select an arrival time each day and may change that arrival time daily as long as it is within the established flexible hours.

   c. Maxiflex. Maxiflex is a FWS that contains core hours on fewer than 10 workdays in the biweekly pay period and in which an employee has a basic work requirement of 80 hours for the biweekly pay period. The employee may vary the number of hours worked on a given workday or the number of hours each week, within the limits established for the organization.

   d. Variable Day Schedule. Variable day schedule is a FWS that contains core hours on each workday in the week. Under the variable day schedule, a full-time employee has a basic work requirement of 40 hours in each week of the biweekly pay period. The employee may vary the number of hours worked on a given workday within the week as long as the variation remains within the limits established for the organization.

   e. Variable Week Schedule. Variable week schedule is a FWS that contains core hours on each workday in the biweekly pay period. Under the variable week schedule, a full-time employee has a basic work requirement of 80 hours for the biweekly pay period. The employee may vary the number of hours worked on a given workday or the number of hours each week, as long as the variation remains within the limits established for the organization. For more information regarding FWS, see OPM’s FWS Fact Sheet. Refer also to DoDI 1400.25, V610.

B. Compressed Work Schedule. A compressed schedule is a fixed schedule that enables a full-time employee to complete the basic work requirements of 80 hours in fewer than 10 full workdays in each biweekly pay period by increasing the number of hours in the workday. See 5 U.S.C. § 6121 and OPM’s Fact Sheet on Compressed Work Schedules.
1. Set Time and Days of Work. There is no flexibility in a compressed schedule. An employee’s time of arrival and departure from work is set, as are the days on which the employee is to complete the basic work requirement.

2. Overtime. For employees working under compressed schedules, overtime pay will continue to be paid for work in excess of the compressed schedule. See 5 U.S.C. § 6128.

3. Absences. For employees working under compressed schedules, the recording of absences is treated in the same manner as for employees working a regular or alternative work schedule. Employees working a compressed work schedule must be charged leave in accordance with their basic work schedule.

4. Variations of the Compressed Work Schedule. Compressed work schedules are determined either by management or through negotiations with exclusive employee representatives. The following are variations of the compressed work schedule:
   a. 4-10 Schedule. On the 4-10 schedule, employees work 10 hours a day for 4 days each workweek;
   b. 5-4/9 Schedule. On the 5-4/9 schedule, employees work 9 hours a day for 8 days, 8 hours for 1 day, and record 1 non-working day each pay period; and
c. 3-day Workweek Schedule. On the 3-day workweek schedule, employees work 13 hours and 20 minutes a day for 3 days each workweek.

020307. Approval of Leave

Leave approval may be by handwritten or automated signature. Leave approvals must be granted in accordance with the requirements of Chapter 5.

020308. Overtime and Compensatory Time Earned Authorizations

The employee’s supervisor must approve any overtime, compensatory time, or holiday work. The supervisor’s approval must be documented in writing or electronically and must be retained for review and audit. Approval must be granted before the hours are worked, or if not feasible, as soon as possible after the work has been performed.

A. Regular vs. Irregular/Occasional Overtime. To properly determine an employee’s overtime entitlement, the approving official should distinguish between regular overtime and irregular or occasional overtime.

B. Compensatory Time. Compensatory time earned may only be granted for irregular and occasional overtime work. Compensatory time is not authorized for regularly scheduled overtime work.
020309. Continuation of Pay (COP)

An employee who sustains a disabling job-related traumatic injury is entitled to the continuation of regular pay for up to 45 calendar days. See Chapter 6 for additional information regarding COP.

A. Counting COP Time. Controls will be established to ensure that employees do not exceed the 45-day limit. COP time will be accounted for as follows:

1. **Calendar Days.** Days are counted on a calendar basis. If an employee is charged COP on Friday and the disability continues through the weekend, then the employee is charged COP for Saturday and Sunday. Holidays, weekends, and regular days off following a COP day are counted as COP days. If 1 hour is used to see a physician and 7 hours are worked, the day is still counted as 1 full day of COP. The T&A must reflect the actual hours worked in order to accurately reflect the employee’s work record.

2. **Period Charged to COP.** Unless the injury occurs before the beginning of the workday, time lost on the day of injury must be charged to administrative leave. The period charged to COP begins with the first day or shift of disability or medical treatment following the date of injury, provided the absence began within 45 days after the injury. COP must be charged for weekends and holidays if the medical evidence shows the employee was disabled on the days in question. For example, if the physician indicates that disability will continue only through Saturday for an individual who has Saturday and Sunday off, then COP will be charged only through Saturday.

3. **Full Days Charged to COP.** If work stoppage occurs for only a portion of a day or shift other than the date of injury, then a full day of COP will be counted against the 45 calendar day entitlement, even though the employee is not entitled to COP for the entire day or shift. For example, if an employee who has returned to work uses 3 hours in order to receive physical therapy for the effects of the injury, then the employee is entitled only to 3 hours of COP, even though 1 full calendar day will be charged against the 45-day limit. If an employee is absent for all or part of the same remaining workday, then the time lost must be covered by leave, as appropriate, since absence beyond the time needed to obtain the physical therapy must not be charged to COP.

4. **Full Days Charged when Employee Works Partial Days.** If the employee is only partially disabled following the injury and continues to work several hours each workday, then each day or partial day of absence from work is chargeable as a full day of COP against the 45-day period.

5. **Disapproval of COP.** Absences charged to COP and later disapproved by the Department of Labor will require conversion to sick or annual leave. If sick or annual leave is not available, then COP will be converted to leave without pay (LWOP) and reimbursements to the Government must be made for any gross earnings paid while in a COP status. Due process procedures apply to the collection of any such debt owed by an employee. The amount
collected must include payments made on behalf of the employee and any adjustments to the deposit fund accounts by the civilian PRO.

6. **Return to Duty.** The injury compensation program administrator may contact the attending physician in writing to inquire about the employee’s estimated return to light duty and/or contact the servicing Office of Workers’ Compensation Programs office for an expected date of return to duty.

**B. Light Duty Status.** When a determination has been made that an injured employee may return to duty in a light duty status within the first 45 days of disability following an injury, each day or portion of a day in light duty status may be counted as 1 day of COP. This also includes any day or portion of a day worked while under injury-related work restrictions imposed by a physician. See Chapter 6 for additional information on light duty status and when COP is payable.

1. **Official Personnel Actions.** An employee performing light duty because of an on-the-job injury normally is not charged COP. However, COP must be charged if an employee has been assigned light duty by a *Standard Form 50*, Notification of Personnel Action, and pay loss results. The employee must be furnished with documentation of the personnel action before the effective date of the action.

2. **Loss of Night Differential Pay.** When an employee is detailed to a work schedule entailing loss of night differential pay earned before the injury, COP days will be charged, even though the employee is working. The cost of COP is calculated as the difference between the employee’s normal pay and pay earned in the detail position.

**020310. Temporary Duty (TDY)**

A. **Recording TDY on T&A.** When an employee is on TDY, the hours worked and hours of leave must be recorded on the T&A. All time actually spent away from the permanent duty station during the basic workweek must be recorded at the employee’s permanent duty station as time worked or leave taken. The travel order must support entries on the T&A for regular time.

B. **Extended TDY.** When an employee is on extended TDY (official Government-directed travel exceeding three weeks), the supervisor may require the employee to submit the T&A. Overnight mail, electronic mail, facsimile machine, or other acceptable means of communication may be used.

**0204 T&A RECORDING**

020401. **Requirements**

Scheduled starting and ending times of the day for each employee or for groups of employees must be established and recorded. The day that an employee’s shift begins is designated as the day of work for night and shift differential purposes. These requirements must be modified for employees working a flexible or compressed work schedule under the AWS plans.
020402. Certification of Absences

Employees either must initial or sign for indicated absences, or submit an approved application for leave. A supervisor may require a medical certificate or other evidence of illness from an employee when granting sick leave. Such certification will be retained by the employing activity in accordance with section 0208.

020403. Verification of Leave Charges

Employees must confirm each leave charge, except for administrative leave, absent without leave charges, suspension, or holiday absences.

020404. Leave Charges

All leave types are charged to the employee by days, hours, or fractions of hours.

020405. Daylight Savings Time

A. **Hour Lost.** Civilian employees working on a tour of duty when daylight saving time goes into effect are credited with the actual number of hours worked on the tour of duty. The hour lost because of the change is charged to annual leave, compensatory time used, credit hours used, or LWOP, as requested by the employee. Employees may also be allowed to work 1 hour beyond the end of their shift.

B. **Hour Gained.** Civilian employees working on a tour of duty when standard time goes into effect are credited with the actual number of hours worked. Time worked in excess of 8 hours, or the regular tour of duty hours, must be paid as overtime, compensatory time earned, or recorded as credit hours.

020406. Recording Clock

A recording clock may not be used to record time of an employee of an executive department in the District of Columbia. See 5 U.S.C. § 6106.

0205 T&A CERTIFICATION

020501. Controls

A. The certification of T&A constitutes authorization for the expenditure of government funds. Each employee’s T&A must be certified correct by the employee’s supervisor, acting supervisor, other equivalent official, or a higher-level manager authorized to act as an alternate certifier at the end of the pay period.

B. Certification ordinarily must not be made earlier than the last workday of a pay period. In some circumstances, such as when a legal holiday falls on a Friday or Monday, it is not practical to operate without an early cutoff. In such cases, additional controls, which must be
demonstrated in the system design, must be in place and operating. These controls must ensure that any change in attendance or absence certified by a supervisor that occurs after the cutoff date is identified and reported before pay computation, or is reported for the next pay computation. The employee may initial the corrected entry(ies) or submit an *OPM Form 71*, Request for Leave or Approved Absence, or locally approved electronic leave request, for such absence, as appropriate.

020502. Responsibility

All T&A and supporting documents must be reviewed and approved by the supervisor or designated alternate certifier. The supervisor or designated alternate certifier must be aware of his or her responsibilities for ensuring accuracy of the reports and must have knowledge of the time worked and absence of employees for whom approval is given.

A. Certification of T&A. The supervisor or designated alternate certifier must have a reasonable basis for relying on systems of internal control to ensure accuracy and legal compliance if he or she does not have personal knowledge of the presence and absence of, or other information concerning employees whose T&A are being approved. This basis must involve periodic testing of internal controls to ensure they are working as intended. Certification of T&A documents must be based on:

1. Knowledge from personal observation, work output, or timekeeper verification;
2. Checking data against other independent sources such as validating starting and ending times of work, using sign-in and sign-out sheets or time clock entries;
3. Reliance on other internal controls; or
4. A combination of controls.

B. Approval of T&A. Approvals must be made individually for each employee, and a handwritten or automated signature must be provided for each T&A.

C. Approval of Multiple T&As. A single supervisory or designated alternate certifier signature for a multiple employee T&A report may be made to approve the information recorded for all employees listed on the report. There are three prerequisites for a single signature:

1. The data elements itemized in paragraph 020305 must appear on the report for each employee listed on the report,
2. Supporting documents required for the information on the report must be reviewed by the supervisor or designated alternate certifier, and
3. The supervisor or designated alternate must initial or sign each page of the report and either sign the last page of the report or enter an approval code into an automated system.
D. **Electronic Approval.** When a computerized ("paperless") T&A system is used and T&A data is contained in a computer file and displayed on a terminal, a single automated code may be entered by the supervisor to approve the information contained in the file. However, the data elements itemized in paragraph 020305 must be contained in the file. Prior to approving the T&A, the supervisor or designated alternate certifier must review supporting documents or computerized files. A record of changes made to a file, once approved by someone other than the original approving official, must be generated and sent to either the original approving official, or a designated person other than the one who made the changes.

020503. **Delay**

Certification of the T&A may not be delayed for obtaining the employee’s initials or signature for requested leave when the employee is not available. The employee must submit an OPM Form 71 upon return to duty to confirm the requested leave.

020504. **Maintenance of T&A by Employee**

A. **When Maintenance of T&A by Employee is Appropriate.** Situations in which employees may maintain their own official T&A are as follows:

1. The employee is the timekeeper,
2. Employees work flexible hours outside the hours of the timekeeper and supervisor,
3. An employee is working alone at a remote site,
4. Employees are based at the same location as their supervisors and timekeepers but are frequently away during working hours, or
5. The employing organization determines that individual timekeeping by all employees is warranted. The employing organization must maintain documentation demonstrating that the T&A reporting system has sufficient capacity and internal controls to ensure timely and accurate recording of T&A by these individual employees.

B. **Controls.** To provide reasonable assurance that employees are working when scheduled, supervisors must take reasonable measures, such as occasional telephone calls during the times they are scheduled to work, or an assessment of the reasonableness of output for the time spent, to determine the accuracy of T&As submitted by individuals who maintain their own T&A. The supervisor is responsible for the accuracy of the T&A data submitted by the individual.

020505. **Prior Approval**

When it is not practical for the supervisor to approve a T&A prior to the receipt of supporting documents, the employee may be paid and a subsequent review performed of the documents by the supervisor.
0206. Approval of T&A by Employee

Employees are generally prohibited from approving their own T&A. Exceptions to this general prohibition apply only when it is not feasible for employees to have their T&A approved by a supervisor. In such instances, the Component head, or his or her designee, must grant an official authorization in writing in order for the employee to approve his or her own T&A. An employee may be authorized to approve his or her own T&A under the following circumstances:

A. The employee works alone at a remote site for long periods;
B. The employee is based at, but frequently away from, the location of their supervisor and timekeeper during working hours; or
C. The employee is the head of an organization within an agency that has no supervisor on site.

0206 T&A REPORTING

020601. Methods

T&A data must be transmitted to the payroll system, as required, by using positive (100 percent) reporting or exception reporting. Under positive reporting, all T&A data is reported to the payroll system for each employee. Under exception reporting, only exceptions to the employee’s scheduled tour of duty are reported to the payroll system. When reporting to the payroll system by source data automation, positive reporting must be required for each employee.

020602. Controls

Regardless of the reporting method, controls must ensure that all required T&A data, including current period corrections and prior period adjustments, are properly reviewed and approved by the supervisor and reported in a timely and accurate manner.

020603. Generating a Charge to Annual Leave

If any required T&A data is missing for an employee, then the civilian PRO must generate a charge against the employee’s annual leave balance. If the annual leave balance is not sufficient to support the employee’s regularly scheduled tour of duty, any remainder must be charged to another leave category in order to fulfill the employee’s scheduled tour of duty. The employee’s pay and leave record must be corrected upon submission of the certified T&A data. T&A data is considered missing if:

A. Under positive reporting, time has not been reported for the employee’s entire scheduled tour of duty; or
B. Under exception reporting, the appropriate function key has not been pressed to denote that all exceptions have been reported.
0207 ADJUSTMENTS AND CORRECTIONS

020701. Current Period Corrections

Timekeepers must correct errors in data that are discovered when performing the steps discussed in section 020204.

020702. Prior Period Adjustments

If the T&A for the current pay period has been processed and a change is required, then the supervisor must certify an adjusted T&A for input to the payroll system or transmittal to the PRO via the customer service representative. The adjustment must be processed in the employee’s pay and/or leave record no later than the pay period following receipt for on-line adjustments.

020703. Electronic Corrections

Electronic corrections for current period corrections and prior period adjustments must be made in accordance with the DCPS user manual.

020704. Manual Corrections

T&A corrections for pay periods no longer held in DCPS (offline records) require a hard copy of the certified T&A signed by the supervisor and forwarded to the PRO. The PRO will process the manual correction within DCPS in accordance with established procedural guidance.

020705. Corrected Time Cards for Back Pay Awards

If an appropriate authority corrects or directs the correction of an unjustified or unwarranted personnel action under the provisions of the Back Pay Act at 5 U.S.C. § 5596, time card corrections may be requested by the PRO for the period covered by the corrective action. Corrected time cards ensure the proper award of any pay, allowances, and differentials owed to the employee, including leave or other monetary employment benefits to which an employee is entitled by statute or regulation.
0208 RETENTION OF RECORDS

020801. Storage Location

Employing activities must establish a uniform practice to be followed as to the locations at which the T&A reports and related supporting documentation are to be maintained. T&A reports, together with approved applications for leave, overtime approvals, military orders, jury duty certification, or other supporting documents, may be retained by the timekeeper, supervisor, or sent to a designated storage location.

020802. Internal Controls

Sufficient internal controls must be established to prevent unauthorized changes to completed T&A, regardless of where they are retained.

020803. Retention Period

T&A records, to include leave application files, source records, input records, and leave records, must be retained by the employee’s supervisor or activity in accordance with records retention requirements as set forth in the National Archives, General Records Schedule 2. NOTE: There are different retention requirements for these four types of records.

0209 LABOR DISTRIBUTION

Civilian payroll systems must interface with cost accounting systems, if established, to ensure payroll labor costs are distributed and charged to appropriate cost centers. Organizations that operate a formal cost accounting system must ensure that costs are reconciled to the labor distribution processes at least once per month. See the Federal Financial Management Improvement Act of 1996 (Pub. Law 104-208, Title VIII, § 801 et seq., Sept. 30, 1996, which is set out as a note under 31 U.S.C. § 3512).
### VOLUME 8, CHAPTER 3: “PAY ADMINISTRATION”

#### SUMMARY OF MAJOR CHANGES

All changes are denoted by [blue font](#).

Substantive revisions are denoted by an [asterisk (*)](#) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated [April 2013](#) is archived.

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<td>All</td>
<td>Revised hyperlinks and formatted chapter to comply with current administrative instructions.</td>
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<td>0301</td>
<td>Added “General,” “Purpose,” and “Authoritative Guidance” sections.</td>
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<td>030304.C</td>
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<td>030402.A.2</td>
<td>Reformatted “Temporary Quarters Subsistence Allowance” section for clarity.</td>
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<td>Deleted Tropical Differential pay information.</td>
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<td>Revised the “Employees in a Non-Pay Status” section to add information for employees in a non-pay status.</td>
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<td>030504</td>
<td>Deleted procedures for payment of Uniform Allowance in the “Uniform Allowance” section.</td>
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<td>030507</td>
<td>Revised information for the “Foreign Language Proficiency Pay” section to include employees performing intelligence duties.</td>
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<td>0306</td>
<td>Added an introduction to the “Recruitment, Relocation, and Retention Incentives” section.</td>
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CHAPTER 3

PAY ADMINISTRATION

*0301 GENERAL

030101. Purpose

This chapter provides guidance on Department of Defense (DoD) civilian employee pay and entitlements.

030102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

*0302 GENERAL PROVISIONS ON PAY

This section provides general information on computing pay and transmitting pay data to the payroll office. This section also provides guidance on statutory limits on pay (“pay caps”) and general information on computing pay for General Schedule (GS), Senior Executive Service (SES) and other categories of employees.

030201. Pay and Payroll Data

A. Computing Pay. Payroll computations must be based on statutorily authorized entitlements in accordance with Title 5 of the United States Code (U.S.C) and Title 5, Code of Federal Regulations (C.F.R.), Parts 530, 531, 532, 534, 550, 551, 575, 581, 591, 595, 610, and 630 and other statutory or regulatory requirements as stated herein. The payment of any entitlement must be supported by one or more of the following source documents, as appropriate:

1. Standard Form (SF) 50s and/or other similar personnel documents;

2. Certified copies of travel orders;

3. Time and attendance reports, including any necessary supporting documents such as sign-in and sign-out registers or Office of Personnel Management (OPM) Form 71, Request for Leave or Approved Absence; and

4. Authorizations or approvals of overtime and compensatory time worked.

B. Transmitting Documents to the PRO. If the Human Resources Office (HRO) electronically transmits the pay entitlement data from source documents to the Defense Finance and Accounting Service (DFAS) Civilian Payroll Office (PRO), the HRO is not also required to send the source documents to the PRO unless requested to do so. The HRO must
monitor feedback to ensure the integrity and accuracy of the data used in the pay computation process and must establish effective controls to ensure that all data transmits successfully. The HRO must retain source documents, along with transmittal and control data, for audit purposes in accordance with the National Archives General Records Schedule 2.

C. **PRO Must Ensure Payroll Data is Accurate.** The PRO must ensure that payroll data is complete and accurate. Specifically, the PRO must ensure that an employee’s compensation is consistent with his or her grade, position classification, other entitlements, and employment location. For example, an agency may not pay any foreign area allowances, regardless of authorizing documents, to an employee assigned to stateside duties. In this example, the PRO must request the HRO that issued such entitlement documents clarify and/or correct the documents.

D. **Time and Attendance Records.** The PRO must ensure pay computations are based on the completed time and attendance records maintained for each employee. The PROs must complete computations as soon as possible after the close of the pay period.

E. **Reconciliation.** The PRO, the HRO, and the customer service representative (CSR) must communicate to ensure that all appropriate entitlement information is considered for each pay computation and that the computations are supported by the appropriate documentation. At least every 4 months, personnel and pay data must be reconciled and discrepancies corrected. The functional area that entered the incorrect data has primary responsibility for reconciling discrepancies in common data. For additional information, see Chapter 1.

030202. Notification of Changes to Pay

The servicing HRO is responsible for notifying the PRO of changes to an employee’s pay. The servicing PRO must adequately inform each employee in writing as to the nature and amount of the changes in gross pay from one pay period to the next. This information may be included on the employee’s Leave and Earnings Statement (LES) rather than a separate written advisory. The notification must be in sufficient detail to show total pay, allowances, deductions, and net pay.

*030203. Statutory Limits on Compensation (“Pay Caps”)

A. **Premium Pay Limits**

1. **Biweekly Premium Pay Cap.** Premium pay includes night pay, the dollar value of compensatory pay, overtime pay, premium pay on an annual basis, and pay for Sunday and holiday work. See 5 C.F.R. 550.103. Except as explained in 030203.A.2 and 3, the sum of an employee’s basic pay and premium pay for any pay period may not exceed the greater of the biweekly rate of basic pay payable for: 1) GS-15, step 10 (including any applicable locality pay under 5 U.S.C. § 5304 or special rate of pay under 5 U.S.C. § 5305); or 2) Level V of the Executive Schedule. See 5 U.S.C. § 5547(a), 5 C.F.R. 550.105, and OPM Pay and Leave. When GS employees are receiving a locality-based comparability payment, the OPM GS Locality Pay Tables should be used to determine the maximum GS-15, step 10 rate payable for the employee’s
locality. Employees in established special rate occupations and/or locations may have a higher biweekly limitation equal to the special rate for GS-15, step 10. The biweekly limitation does not apply to the following:

a. Overtime pay earned by employees who are nonexempt from (covered by) the Fair Labor Standards Act (FLSA),

b. Hazardous duty pay (HDP),

c. Pay earned by Federal Wage System (FWS) employees, who are excluded from coverage under 5 U.S.C. § 5547, or

d. Compensatory Time for National Guard Technicians. National Guard technicians are not paid for overtime work pursuant to 32 U.S.C. § 709(h). Therefore, compensatory time earned by National Guard technicians will not be paid and computation of the biweekly statutory pay limits for the technicians should not include compensatory time worked.

2. Types of Pay Subject to Biweekly Cap when an Annual Premium Pay Cap Applies. In certain emergency or mission critical situations, an agency may apply an annual premium pay cap in lieu of a biweekly premium pay cap, subject to the conditions provided in law and regulation. See 5 U.S.C. § 5547(b) and 5 C.F.R. 550.106-550.107. However, the following types of premium pay remain subject to the biweekly limitation while other premium payments are subject to an annual limit under 5 C.F.R. 550.106:

a. Standby duty pay,

b. Administratively uncontrollable overtime (AUO) pay,

c. Availability pay for criminal investigators, and

d. Overtime pay for hours in the regular tour of duty of a firefighter.

3. Annual Premium Pay Cap. When the head of an agency, his or her designee, or OPM determines that an emergency exists, the biweekly caps on premium pay described in subparagraph 030203.A.1 will not apply to employees who are paid premium pay for work in connection with that emergency. However, such employees remain subject to an annual maximum earnings limitation. In these circumstances, the total basic pay and premium pay for most GS employees is limited to the annual rate for GS-15, step 10 (including locality-based comparability or special salary rates) or a Level V of the Executive Schedule for the calendar year. Pay exceeding the cap is forfeited and is not deferred for payment in the next calendar year. The cap does not apply to overtime earned by FLSA nonexempt (FLSA covered) employees. For more information on the annual maximum pay limits, refer to 5 U.S.C. § 5547(b) and 5 C.F.R. 550.106.

4. Increased Annual Premium Pay Limitation
a. In 2005, Congress authorized the Secretary of Defense to waive the annual premium pay cap under certain circumstances. Eligible DoD employees are authorized an increase to the annual premium pay limitation under 5 U.S.C. § 5547, not to exceed the annual rate of salary payable to the Vice President under 3 U.S.C. § 104. To be eligible, employees must perform work in response to an emergency declared by the President or in direct support of, or directly related to, a military operation. Waiver authority applies to eligible employees who perform work while in an overseas area of responsibility of the Commander of the United States (U.S.) Central Command (CENTCOM) or an overseas location that has been moved from the U.S. CENTCOM area of responsibility to the area of responsibility of the Commander of the Africa Command (AFRICOM).

b. Eligible DoD employees who are granted a waiver of the annual premium pay cap are entitled to premium payments as provided in yearly guidance published by the Office of the Under Secretary of Defense (OUSD), Personnel and Readiness based on Public Law (P.L.):

(1) Calendar Year 2005 authorized by P.L. 109-13,
(2) Calendar Year 2006 authorized by P.L. 109-163,
(3) Calendar Year 2007 authorized by P.L. 109-364,
(4) Calendar Year 2008 authorized by P.L. 110-181,
(5) Calendar Year 2009 authorized by P.L. 110-417,
(6) Calendar Year 2010 authorized by P.L. 111-84,
(7) Calendar Year 2011 authorized by P.L. 111-383,
(8) Calendar Year 2012 authorized by P.L. 112-81,
(9) Calendar Year 2013 authorized by P.L. 113-66,
(10) Calendar Year 2014 authorized by P.L. 113-291, and
B. Aggregate Limitation on Pay

1. Aggregate Limitation. The Federal Employees Pay Comparability Act (FEPCA) of 1990 and 5 C.F.R. 530, Subpart B established an aggregate limitation on pay. The aggregate limitation applies to most Federal employees, including most members of the SES who were previously covered by an aggregate limitation applied on a fiscal year basis under 5 U.S.C. § 5383(b). Under 5 U.S.C. § 5307, a covered employee may not receive any allowance, differential, bonus, award, or other payment in any calendar year to the extent that such payment, in combination with the employee’s basic pay, would cause the employee’s aggregate compensation to exceed the rate payable for Level I of the Executive Schedule at the end of that calendar year.

2. Aggregate Compensation. Aggregate compensation is the total of basic pay, premium pay, allowances, differentials, bonuses, awards, incentives, and other similar cash payments. See 5 C.F.R. 530.202. Certain payments are excluded from aggregate compensation such as overtime pay under FLSA, severance pay, lump-sum payment for accrued annual leave, back pay awards, student loan repayments, and non-foreign area cost-of-living allowances (COLAs).

3. Payments of Excess Amounts. Amounts in excess of the aggregate limitation must be deferred and are generally paid in a lump-sum payment at the beginning of the next calendar year. See 5 C.F.R. 530.204. If an employee transfers to another agency, the gaining agency is responsible for this payment. If an employee separates from Federal service, the entire excess amount is payable following a 30-day break in service. If an employee dies, the agency must pay the entire excess amount as part of the deceased employee’s unpaid compensation. See 5 U.S.C. § 5582; 5 C.F.R. 530.204.

4. Deferring Payments. An agency must defer payment of any portion of a discretionary payment that would cause an employee’s aggregate compensation to exceed the aggregate limitation. After deferring discretionary payments, all nondiscretionary payments (other than basic pay) must be deferred if continuing to pay the nondiscretionary payments would cause the employee’s aggregate compensation to exceed the aggregate limitation for the calendar year. See 5 C.F.R. 530.203(d) and (e); 5 C.F.R. 530.204.

   a. Discretionary Payments. A discretionary payment is an optional payment that an agency has discretion to pay an employee (e.g. retention allowances, supervisory differentials, and physicians’ comparability). 5 C.F.R. 550.202.

   b. Nondiscretionary Payments. Nondiscretionary payments are payments made to an employee under the terms of a service agreement or preauthorized to be paid at a regular fixed rate each pay period (e.g. basic pay, locality-based comparability payments, COLAs, post differentials, and remote worksite allowances). An agency may not defer a nondiscretionary payment to make a discretionary payment. Basic pay may not be deferred or discontinued under any circumstances.
030204. Multiple Appointments

An employee is not entitled to receive pay from more than one position for more than an aggregate of 40 hours of work in one calendar week (Sunday through Saturday). See 5 U.S.C. § 5533(a). Generally, there is no restriction on the number of appointments, only the number of hours, for which an employee may be paid. An employee may hold more than one simultaneous part-time or intermittent appointment, or an employee on leave without pay may accept another Federal appointment. However, the employee may not receive pay for more than 40 hours a week, unless the employee’s regular tour of duty is for more than 40 hours a week under an authorized alternative work schedule (AWS) or from two sources for the same hours. The HRO will notify the PRO of multiple appointments via SF 50 data.

030205. General Schedule (GS) Employees

A. Basic Pay. Basic pay for GS employees is defined in 5 C.F.R. 531.203 as the rate of pay fixed by law or by administrative action for the position held by a GS employee prior to withholding any deductions and excludes additional pay of any kind.

B. Pay Computation. Computations of salaries are based on the rates contained in the OPM, Pay and Leave, OPM Salary Table.

C. Determining Basic Rates

1. The hourly basic rate is determined by dividing the annual rate by 2,087, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. See 5 U.S.C. § 5504.

2. The biweekly rate is determined by multiplying the hourly rate by 80 for full-time employees.

3. A daily rate is determined by multiplying the hourly basic rate by the number of daily hours of service.

4. For any employees whose pay is monthly or covers one calendar month, rules for division of time and computation of pay are governed by 5 U.S.C. § 5505.

D. Interim Geographic Adjustment (IGA). On February 1, 1996, OPM issued final regulations at 61 Federal Register 3539 to address the termination of IGAs. Locality-based comparability payments replaced the IGAs effective August 2, 1996.

E. Special Higher Minimum Base Rates for Law Enforcement Officers (LEO) at Grades GS-3 through GS-10. Special base rates for LEOs at grades GS-3 through GS-10 are authorized under section 403 of the FEPCA of 1990 and 5 C.F.R. 531.204 and are used in lieu of a GS rate. OPM publishes the special base rates for LEOs in a special salary table. These rates are the basis for computing locality payments under 5 C.F.R. 531, Subpart F. Special geographic
adjustments for LEOs under section 404 of the FEPCA of 1990 have been eliminated because they have been surpassed by regular locality payments under 5 U.S.C. § 5304.

F. Locality-Based Comparability Payments. Title 5 C.F.R. 531, Subpart F and 5 U.S.C. § 5304 govern locality payments for GS employees and other employment positions in locality pay areas. Locality pay is considered as basic pay for retirement, Federal Employees’ Group Life Insurance (FEGLI), premium pay, advance pay, severance pay, lump-sum leave, and workers’ compensation purposes. The HRO bases locality pay eligibility on where an employee’s official duty station is, and not where he or she lives. Locality pay does not transfer with an employee from one pay locality to another. Employees must receive whatever rate of pay applies at his or her new duty station. Employees on temporary assignment in a different pay locality must continue receiving their current salary. Locality pay does not apply overseas. The official worksite for an employee covered by a telework agreement must be determined on a case-by-case basis using criteria established by OPM.

030206. Employees in Performance Management and Recognition System (PMRS)

A. General. The PMRS Termination Act of 1993 terminated the PMRS effective November 1, 1993. The provisions of this law applied to any employee covered by a PMRS position on October 31, 1993, and provided for the transition of former PMRS employees into their agency’s Performance Management System and the GS pay plan. See OPM Performance Reference Materials, Instructions: How to Comply with P.L. 103-89.

B. Identification of PMRS Employees. In order to identify all employees covered by the provisions of this law, OPM retained the General Merit (GM) pay plan code. The step for all employees using the GM pay plan code will continue to be zeros (“00”).

C. Within-Grade Increases. All GS employees, including those still designated GM after October 31, 1993, will be eligible for within-grade increases according to the waiting periods established in the statute. The last PMRS merit increase received, including one for zero dollars, is an equivalent increase for the purpose of calculating and completing the prescribed waiting periods. Within-grade increases have the dollar value of one-ninth of the pay range. Employees will have the within-grade increase added to their basic pay rate, including an off-step rate, upon completion of the appropriate waiting period, provided performance has been at an acceptable level of competence.

D. Termination. An employee’s coverage under the PMRS will end and his or her rate of basic pay will be adjusted to the designated GS step rate that meets or exceeds the current rate of pay, not to exceed step 10, if any of the following actions occur:

1. Promotion,
2. Change to a lower grade,
3. Break in service of more than 3 days,
4. Transfer to another non-DoD agency, or

5. Reassignment to a non-supervisory or non-management position.

030207. Senior Executive Service (SES) Positions

A. **Definition.** In accordance with 5 U.S.C. § 3132(a)(2) and 5 C.F.R. 317, an SES position is any position within an agency above a GS-15 grade level under 5 U.S.C. § 5108, or in Level IV or V of the Executive Schedule, or an equivalent position, which is not required to be filled by an appointment by the President with Senate confirmation. The SES includes managerial, supervisory, and policy positions classified above a GS-15 or equivalent in the Executive Branch. Non-supervisory positions are not covered unless they carry significant policymaking responsibilities.

B. **Rate of Pay.** The SES pay range has a minimum rate of basic pay equal to 120 percent of GS-15, step 1, and a maximum rate equal to that of a Level III of the Executive Schedule. See 5 U.S.C. § 5382 and 5 C.F.R. 534.403. The maximum rate of basic pay for an SES employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Minimum rates of basic pay for the SES rate range are adjusted by Executive Order issued by the President to allow for consistency with any increase in the minimum rate of basic pay for these positions. See 5 U.S.C. § 5376.

030208. Senior Level (SL) Positions

A. **Definition.** SL positions are non-SES positions classified above GS-15 pursuant to 5 U.S.C. § 5108 and 5 C.F.R. 319.102. These positions do not include administrative law judges or board of contract appeals positions that have their own pay schedules.

B. **Rate of Pay.** Title 5 U.S.C. § 5376 and 5 C.F.R. 534, Subpart E govern the rates of pay for SL positions and are located in the OPM Pay Tables, see section 030205 B. The Senior Professional Performance Act of 2008 established a new pay system for SL employees, effective April 12, 2009, providing pay ranges comparable to those available under the SES pay system. See 5 U.S.C. § 5304. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for an SL employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Under the new pay system, locality pay is no longer paid in addition to the basic rate. There are no grades or steps under 5 U.S.C. § 5376; therefore, employees may be paid at any rate between the minimum and maximum rates.

030209. Scientific or Professional (ST) Positions

A. **Definition.** ST employees are those in non-executive positions classified above GS-15 who are engaged in high-level research and development in the physical, biological, medical or engineering sciences established under 5 U.S.C. § 3104 and 5 C.F.R. 319.103.

B. **Rate of Pay.** The rates of pay for ST level positions are governed by 5 U.S.C. § 5376 and 5 C.F.R. 534, Subpart E, and are located in the OPM Pay Tables, see section
B. The Senior Professional Performance Act of 2008 established a new pay system for ST level employees, effective April 12, 2009, providing pay ranges comparable to those available under the SES pay system. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for a ST position employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Under the new pay system, locality pay is no longer paid in addition to the basic rate. There are no grades or steps under 5 U.S.C. § 5376; therefore, employees may be paid at any rate between the minimum and maximum.

**Executive Schedule Positions**

A. Definition. The Executive Schedule is, as defined in 5 U.S.C. § 5311, divided into five pay levels (Level I through Level V) and is the basic pay schedule for senior management positions described at 5 U.S.C. § 5312 to 5316. SES positions are not included.

B. Rate of Pay. The rate of pay for Executive Schedule positions is contained in the OPM Salary Table.

**Federal Wage System (FWS) Positions**

A. Definition. The FWS was established for Federal trade, craft, and laboring employees to allow for the payment of wages comparable to prevailing private sector rates in each local wage area. These positions are also referred to “wage grade” or “wage board” positions. Title 5 U.S.C. § 5342 defines an FWS employee as a prevailing rate employee who is in a recognized trade or craft, other skilled mechanical craft, or in an unskilled, semi-skilled, or skilled manual labor occupation. Individuals in positions having trade, craft or laboring experience and knowledge as a paramount requirement, such as a supervisor or foreman, may be FWS employees. For additional information, see the OPM, FWS Overview and 5 C.F.R. 532. FWS employees are hourly rate employees who receive annual wage adjustments based on a review of comparability pay by wage area. Each area pay scale is divided into the following five parts or classes: wage grade, wage leader, wage supervisor, non-supervisory and supervisory employees covered by the production facilitating pay plan.

B. Rate of Pay. OPM adjusts the rates from time to time for comparable work within a local wage area. Basic pay for FWS employees means the scheduled rate of pay plus any night shift or environmental differential.

**Administratively Determined Pay Plans**

Pay rates may be established under an administratively determined (AD) pay system that was created under a separate statutory authority. An agency must have independent authority to administratively determine the rates of pay for any group or category of employees. See the OPM Pay and Leave, Pay Administration, Fact Sheet: Pay Plans.
030301. General

Premium pay consists of certain types of pay, such as overtime, night, and holiday pay for employees not in receipt of annual premium pay for standby duty, Sunday pay, annual premium pay for regularly scheduled standby duty, annual premium pay for administratively uncontrollable work, availability pay for LEOs, environmental pay for FWS employees, and hazard pay for GS employees. Rates and authorization for these various types of pay are contained in 5 U.S.C. §§ 5542, 5543, 5544, 5545, 5545a, 5545b, 5546a, 5547, 5549, and 5 C.F.R. 550, Subpart A. SES employees, Teaching Position (TP) Pay Plan employees, and other employees identified under 5 C.F.R. 550.101 are not entitled to premium pay under any circumstances. However, the premium pay provisions apply to SL and ST positions. For information on statutory limits on premium pay, also referred to as biweekly and annual premium pay caps, see paragraph 030203.

030302. Overtime

Each employing activity is responsible for controlling overtime. Supervisors must ensure funds targeted for their employing activity will cover overtime worked. Approval or disapproval of overtime must be consistent with direction from the Deputy Secretary of Defense. The PRO may pay only approved overtime as certified on the employee’s time and attendance report. Normally, employees must request approval to work overtime in writing in advance of performing the work. See 5 U.S.C. § 5542.

A. Overtime Pay

1. Regularly Scheduled. Title 5 C.F.R. 550, Subpart A sets out regulations on premium pay for overtime. Regular overtime work is overtime work that has been scheduled prior to the beginning of an employee’s regularly scheduled administrative workweek. For a GS employee whose rate of pay does not exceed a minimum applicable rate for a GS-10, the overtime-hourly rate is one and one-half times the employee’s hourly rate of pay. For an employee whose rate of basic pay exceeds the minimum rate for a GS-10, the overtime-hourly rate is equal to the greater of one and one-half times the applicable minimum hourly rate of basic pay for a GS-10 or the employee’s hourly rate of basic pay. Agencies may authorize regular overtime for full-time, part-time, and intermittent GS employees. An intermittent work schedule is appropriate when work is unpredictable and sporadic and therefore, repetitive regularly scheduled overtime should seldom occur. See 5 C.F.R. 340.403.

2. Irregular/Occasional. Irregular or occasional overtime work is overtime work that is not part of an employee’s regularly scheduled administrative workweek.

B. Overtime Pay for FLSA Nonexempt (Covered) Employees

1. General. Generally, the PRO must compensate a nonexempt FLSA employee pursuant to the provisions of 29 U.S.C. § 207 and 5 C.F.R. 551 Subpart E for all hours of work in excess of 8 hours a day or 40 hours in a workweek at a rate equal to one and one-half times the employee’s hourly regular rate of pay. The “hourly regular rate” of pay for all nonexempt employees is computed by adding all includible payments for the week, then dividing by the total
hours of work and paid leave. See 5 C.F.R. 551.511 and 551.512 for complete instruction on overtime pay computation. The biweekly and annual premium pay caps discussed in paragraph 030203 do not apply to FLSA nonexempt employees.

a. **Flexible Work Schedule.** Overtime, when worked under a flexible work schedule pursuant to [5 U.S.C. § 6122-6126](https://www.gpo.gov/fdsys/en), consists of hours officially ordered in advance and in excess of 8 hours per day or 40 hours per week. Pursuant to [5 U.S.C. § 6121(6)](https://www.gpo.gov/fdsys/en), overtime hours do not include credit hours worked voluntarily under a flexible work schedule.

b. **Compressed Work Schedule.** For a full-time employee, overtime work consists of all hours of work in excess of the established compressed work schedule. For a part-time employee, overtime work consists of hours in excess of the compressed work schedule for the day (more than at least 8 hours) or for the week (more than at least 40 hours).

2. **Calculation of Overtime after FEPCA.** Under section 210 of the FEPCA, effective May 4, 1991, overtime pay computations for FLSA nonexempt (covered) employees must be made solely in accordance with FLSA regulations at 5 C.F.R. 551, as amended. Agencies are no longer required to compare overtime pay entitlements for nonexempt employees under 5 C.F.R. 550 and 551 and pay whichever amount is greater. Entitlements prior to May 3, 1991, must be calculated using the previous rules. FLSA nonexempt employees continue to be covered by other premium pay provisions of 5 U.S.C., Chapter 55, Subchapter V for night, Sunday, or holiday and annual premium pay for regularly scheduled standby duty or AUO work.

3. **Other.** According to 5 U.S.C. § 5544(a), hours of work, as defined under 5 U.S.C. § 5542, in excess of 8 hours in a day are deemed to be overtime hours for the purposes of Section 7 of FLSA. See [29 U.S.C. § 207(e)(7)](https://www.gpo.gov/fdsys/en). The excess hours are considered overtime only if an employee is not receiving annual premium pay for regularly scheduled standby duty [5 U.S.C. § 5545(c)(1)](https://www.gpo.gov/fdsys/en) or annual premium pay for AUO work under 5 U.S.C. § 5545(c)(2), or 5 U.S.C. § 5544(a) for FWS employees. Under FLSA, such hours are overtime hours regardless of the total number of hours of work in the workweek. For example, an employee on a flexible work schedule who works 10 hours on the first day of the workweek and is on Leave Without Pay (LWOP) for the remainder of the workweek is entitled to 2 hours of overtime pay under FLSA, even though the employee has worked a total of only 10 hours in the workweek. However, an employee working a compressed work schedule of eight 10-hour days would not receive overtime pay until they work in excess of 10 hours on a scheduled day.

C. **Callback Overtime.** Pursuant to 5 C.F.R. 550.112(h), a minimum of 2 hours of overtime will be paid if an employee is required to return to the place of employment for unscheduled overtime work or to work unscheduled overtime on a nonscheduled workday. If the callback occurs on a holiday during the employee’s regular schedule, then a minimum of 2 hours holiday premium pay is paid. Pursuant to 5 C.F.R. 551.401(e), when an FLSA nonexempt employee performs unscheduled overtime work on a day when work was not scheduled for the employee, or for which the employee is required to return to the place of employment, the employee is paid for 2 hours of work or the actual number of hours worked, whichever is greater. In all cases, the employee must record the actual time worked.
D. **Excluded Employees.** The provisions of 5 U.S.C. § 5541 exclude SES employees from premium pay. See 5 C.F.R. 534,408. Certain GS and all Executive Schedule employees are also excluded because premium pay may be paid only to the extent that aggregate pay does not exceed the maximum rate of pay for a GS-15 employee. See 5 U.S.C. § 5547. National Guard technicians are not entitled to premium pay for overtime; instead, they may earn compensatory time.

E. **Compensatory Time Off**

1. **Eligibility.** Under 5 U.S.C. § 5543 and 5 C.F.R. 550.114, eligible employees, including FWS and FLSA nonexempt employees, may request compensatory time off from their scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. Mandatory compensatory time off is required only for FLSA exempt employees (who are not prevailing rate employees) whose rate of basic pay is greater than the rate for GS-10, step 10. See 5 C.F.R. 550.114(c). An agency may not require FWS and FLSA nonexempt employees to take compensatory time off instead of being paid overtime pay, unless the employee requests compensatory time. See 5 C.F.R. 532.504 and 551.531.

2. **Dollar Value of Compensatory Time Off and Premium Pay Limitations.** An employee must receive advanced written approval for compensatory time worked. Such approval must be made in accordance with Chapter 2. Compensatory time off is an alternative form of payment for overtime work. For the purpose of applying pay cap limitations or liquidating compensatory time, the dollar value of the compensatory time equals the amount of overtime pay the employee would otherwise have received for performing the same number of hours of overtime work. Pay limitations apply as follows:

   a. **Biweekly Premium Pay Cap.** If invoking the biweekly cap, an employee cannot receive credit for compensatory time worked if the basic rate of pay equals or exceeds the maximum rate for grade GS-15, step 10, or Level V of the Executive Schedule. An employee whose basic rate is less than the maximum rate of GS-15, step 10, or Level V of the Executive Schedule, may earn compensatory time. However, it may only be credited to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations under 5 C.F.R. 550.106(c).

   b. **Annual Premium Pay Cap.** If invoking an annual premium pay cap, an employee may only receive credit for compensatory time to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations. See 5 C.F.R. 550.106(c).

   c. **FLSA Considerations.** The granting of compensatory time off in lieu of overtime pay under 5 U.S.C. § 5542 must not violate the overtime pay requirements of FLSA. For instructions on compensatory time off for nonexempt employees, refer to 5 C.F.R.551.531. For FLSA exempt employees, refer to 5 C.F.R. 550.114.

3. **Occasional or Irregular Overtime Work.** FWS, FLSA nonexempt and FLSA exempt GS employees may choose to earn compensatory time in place of payment for
an equal amount of time spent in occasional or irregular overtime work, i.e. overtime work not scheduled in advance of the employee’s workweek. Compensatory time off may be approved in lieu of regularly scheduled overtime work for FLSA exempt employees who are ordered to work overtime hours under a flexible work schedule under 5 U.S.C. § 6122. Additionally, an FWS or FLSA nonexempt employee may request compensatory time off if the employee is on a flexible work schedule under 5 U.S.C. § 6122. In this situation, the compensatory time off is granted instead of payment under 5 C.F.R. 532.504 and 5 C.F.R. 551.501 for an equal amount of time spent in overtime work, without regard to whether the overtime work was irregular or occasional in nature.

4. **Time Limits.** Pursuant to 5 C.F.R. 550.114 and 551.531, the limit for the use of compensatory time off is the end of the 26th pay period after that in which the overtime was worked.

   a. **FLSA/FWS Employees.** Compensatory time off must be granted to an FLSA exempt or non-exempt employee within a reasonable time after the overtime is worked. If an FLSA exempt or nonexempt employee fails to take earned compensatory time off within 26 pay periods, the unused compensatory time worked pays out at the overtime rate earned. If an FWS or FLSA nonexempt employee fails to use compensatory time before the expiration of the established period, the employee is entitled to receive payment for the overtime work at FLSA overtime rate in effect at the time it was earned. See 5 C.F.R. 532.504 and 5 C.F.R. 551.531.

   b. **National Guard Employees.** National Guard employees are not entitled to overtime may not receive payment for unused compensatory time worked. National Guard employees must use their compensatory time by the end of the 26th pay period after it is earned or the compensatory time will be forfeited.

5. **AWS.** Employees on a flexible work schedule or compressed work schedule may earn compensatory time off in lieu of overtime pay.

   a. **Flexible Work Schedule.** An agency may approve compensatory time off in lieu of overtime pay for non-SES employees under a flexible work schedule at the employee’s request. See 5 U.S.C. § 6123(a)(1).

   b. **Compressed Work Schedule.** Compensatory time off may be approved in lieu of overtime pay only for irregular or occasional overtime work by an employee as defined in 5 U.S.C. § 5541(2) or by an FWS prevailing rate employee as defined in 5 U.S.C. § 5342(a)(2), but may not be approved for an SES member. Mandatory compensatory time off is limited to FLSA exempt employees, who are not prevailing rate employees, whose rate of basic pay is greater than the rate for GS-10, step 10.

6. **Compensatory Time Off in Relation to Night Pay.** When a GS employee takes compensatory time off during his or her scheduled tour of duty that includes night pay, the employee is still entitled to night pay for that time only if the scheduled tour of duty is between 6 p.m. and 6 a.m. and the employee’s leave total is less than 8 hours in a pay period. See 5 C.F.R 550.122.
7. **Compensatory Time Off in Relation to Annual Leave.** Compensatory time off may be granted before annual leave is approved except when annual leave would otherwise be forfeited. If the use of earned compensatory time off or credit hours that are about to expire results in the forfeiture of excess annual leave, the forfeited leave cannot be restored. See the OPM Pay and Leave, Pay and Leave Administration, Fact Sheet: *Restoration of Annual Leave.*

8. **Payment for Unused Compensatory Time**

   a. **Separation or Transfers.** When an FLSA exempt or nonexempt employee separates, dies, or transfers to another DoD Component (e.g., from Army to Navy, or Air Force to the Defense Logistics Agency) or the employee moves to a non-DoD agency (e.g., Army to Department of the Treasury), the losing Component must pay for any unused compensatory time balances. The agency must pay the balance at the overtime rate in effect when the employee earned the compensatory time. National Guard employees are not paid for unused compensatory time. For more information, see DoD Instructions (DoDI) 1400.25, V550, 5 C.F.R. 550.114 and 551.531.

   b. **Uniformed Service or Injury-on-the-Job.** Agencies must pay an FLSA exempt or nonexempt employee for compensatory time off not used by the end of the 26th pay period after the pay period earned. Payment is at the overtime rate in effect when earned when the employee is unable to use the compensatory time off because of separation or placement in a leave without pay status because of:

   - (1) Performing service in the uniformed services (5 C.F.R. 550.114(f)), or

   - (2) An on-the-job injury with an entitlement to injury compensation under 5 U.S.C., Chapter 81.

F. **Time Off for Religious Reasons.** Employees may earn compensatory time off for religious observances under provisions of 5 U.S.C. § 5550a and 5 C.F.R. 550.1002. The PRO records time off for religious reasons in a special leave account and the employee may work either before or after the time off. Time off balances do not transfer. When an employee separates, dies, or transfers to another DoD Component, any unused time off balance must be paid by the losing activity at the basic hourly rate in effect when the time was worked. If the employee has an advanced time off balance at the time of separation, death, or transfer, a debt must be created. Compensatory overtime worked in this manner is exempt from maximum pay limitations and all other provisions of overtime and premium pay contained in 5 C.F.R. 550.1001-1002, 5 U.S.C., Chapter 55, Subchapter V, and 29 U.S.C. § 207. For additional information on compensatory time off for religious reasons, see 5 U.S.C. § 5550a.

030303. Night Pay Differential (GS) and Night Shift Differential (FWS)
A. **GS Employees.** Under 5 U.S.C. § 5545(a), night pay differential, at the rate of 10 percent of the hourly basic rate, is payable to employees for regularly scheduled work performed between 6 p.m. and 6 a.m. Accordingly, the hourly basic rate is multiplied by 10 percent, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. Night pay differential is not included in the rate of basic pay used to calculate overtime, Sunday, or holiday pay. Night pay differential is in addition to overtime, Sunday, or holiday pay. The head of a department may designate another time between 6 p.m. and 6 a.m., as the beginning and end of the night work for activities outside of the U.S. See 5 C.F.R 550.122(b). Employees are not entitled to night pay differential while engaged in training, except where the situation they are learning to handle occurs only at night. An employee is entitled to night pay differential under the following circumstances:

1. For the hours actually worked between 6 p.m. and 6 a.m. when such hours are part of the employee’s regularly scheduled work;

2. For overtime work performed between the hours of 6 p.m. and 6 a.m. if the overtime is regularly scheduled in advance of the administrative workweek;

3. For a period of paid leave during night work hours, only when the total amount of leave in a pay period, including both night and day hours, is less than 8 hours. Exceptions to this rule are employees on court leave; military leave, including leave for law enforcement and encampment purposes; time off with pay for a holiday; official travel status; administrative leave; compensatory time used; credit hours used; Continuation of Pay (COP); and time-off awards;

4. When excused from night work during a tour of duty while on official travel status, whether performing actual duty or not. See 5 C.F.R. 550.122(a);

5. When temporarily assigned during the administrative workweek to a daily tour of duty that includes night work. See 5 C.F.R. 550.122(d); or

6. When excused from night work on a holiday or other non-workday. See 5 C.F.R. 550.122(a).

B. **Part-Time Employees.** Part-time GS employees are eligible for night pay differential for work performed between 6 p.m. and 6 a.m. as part of their regularly scheduled administrative workweek.

C. **Intermittent Employees.** Intermittent GS employees who have no regularly scheduled tour of duty are not eligible for night pay differential. These employees are eligible for night pay differential during temporary assignment to a regular tour of duty with night work.

D. **FWS Employees.** Under 5 U.S.C. § 5343(f), FWS employees receive night shift differential at one of the two following rates: 1) the rate of 7.5 percent of their hourly rate for non-overtime work when a majority of their scheduled hours occur between 3 p.m. and midnight; or 2) 10 percent of their hourly rate for non-overtime work when the majority of
scheduled hours occur between 11 p.m. and 8 a.m. For additional information, see 5 C.F.R. 532.505. Night shift differential is considered as part of basic pay in the calculation of overtime pay, Sunday pay, holiday pay, and deductions for retirement and FEGLI. An employee regularly assigned to a night shift is entitled to night shift differential under the following circumstances:

1. For all non-overtime hours worked during an entire shift when the majority of hours fall within the specified periods;

2. On paid leave, such as court leave, holiday leave, compensatory time used, and administrative leave. See 5 C.F.R 532.505(e);

3. During a tour of duty while on official travel status, whether performing actual duty or not. See 5 C.F.R 532.505(c);

4. When temporarily assigned to a different tour of duty. See 5 C.F.R 532.505(d); or

5. When excused from night work on a holiday or other non-workday. See 5 C.F.R. 532.505(b).

E. National Guard Technicians. Army and Air National Guard technicians are not entitled to payment of night differential or premium pay for overtime pay during periods of overtime worked. National Guard technicians earn compensatory time.

*030304. Sunday Premium Pay

Additional pay at a rate of 25 percent of the hourly basic rate is payable to full and part-time employees whose regularly scheduled workweek, which does not include overtime hours, includes Sunday. Part-time employees are eligible for Sunday premium pay. See December 8, 2009, OPM Memorandum; Fathauer v. U.S. 566 F.3d 1352 (Fed. Cir. 2009). Sunday premium pay is payable for the entire period of non-overtime work during an employee’s regularly scheduled daily tour of duty, not to exceed 8 hours, that begins or ends on a Sunday. Employees who do not actually perform work on Sunday do not earn Sunday premium pay. See 5 U.S.C. § 5546. Therefore, employees who are regularly scheduled to work on Sunday and who are on paid leave, excused absence, taking compensatory time off, using credit hours, or not working because Sunday is a holiday, are not entitled to Sunday premium pay. Intermittent employees are not entitled to Sunday premium pay. See 5 U.S.C. §§ 5544 and 5546. FWS employees are entitled to Sunday premium pay under 5 U.S.C. § 5544(a).

A. Flexible Work Schedule. A full-time or part-time employee on a flexible work schedule who performs regularly scheduled non-overtime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for the entire period of duty, not to exceed 8 hours.

B. Compressed Work Schedule. A full-time or part-time employee on a compressed work schedule who performs non-overtime work during a period of duty, a part of
which is on Sunday, is entitled to Sunday pay for the entire period of duty on that day, even if the hours worked exceeded 8 hours. See 5 U.S.C. § 6128.

C. First 40-Hour Tour of Duty. A first 40-hour tour of duty is regularly scheduled work. An employee under a first 40-hour schedule is entitled to up to 8 hours of Sunday premium pay when performing non-overtime work on a Sunday. See 5 C.F.R. § 610.111 and OPM, Pay and Leave, Work Schedules. Any additional hours over 8 hours in a day are paid as overtime unless the employee is: 1) engaged in professional or technical engineering or scientific activities for whom the first 40 hours of duty in an administrative workweek is the basic workweek; or 2) the employee’s basic pay exceeds the minimum rate for GS-10, step 1 (including any applicable locality-based comparability payment under section 5304 or similar provision of law and any applicable special rate of pay under section 5305 or similar provision of law) for whom the first 40 hours of duty in an administrative workweek is the basic workweek. An employee on a first-40 tour who does not fall under one of these two exceptions is entitled to overtime pay for hours worked in excess of 8 hours in a day or 40 hours in an administrative workweek. See 5 U.S.C. § 5542; 5 C.F.R. 550.111(d)(2).

D. Maximum hours. The maximum number of hours of Sunday premium pay that an employee is paid for one Sunday is 16 hours. The 16 hours would include two 8-hour tours: one starting on Saturday night and ending on Sunday morning; and the next tour starting Sunday night and ending on Monday morning.

E. Rate of Payment. The hourly basic rate is multiplied by 25 percent with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. See OPM Operating Manual, Federal Wage System - Appropriated Fund, Subchapter S 8 4e.

030305. Holiday Premium Pay

In accordance with 5 U.S.C. § 5546 and 5 C.F.R. 550.131, an employee who performs work on a holiday designated by Federal statute is entitled to holiday premium pay. Holiday premium pay is equal to the employee’s rate of basic pay. An employee receives basic pay, plus holiday premium pay, for each hour of holiday work that is not in excess of their regularly scheduled non-overtime basic tour of duty, not to exceed 8 hours. An employee required to perform any work on a designated holiday is entitled to pay for at least 2 hours of holiday work. Holiday premium pay is in addition to overtime pay, night pay differential, or Sunday pay.

A. Flexible Work Schedule. For an employee working a flexible work schedule, holiday pay for non-overtime work is limited to 8 hours in a day. A part-time employee, scheduled to work on a day designated as an “in lieu of” holiday for full-time employees, is not entitled to a premium for work performed on that day. See 5 U.S.C. § 6123.

B. Compressed Work Schedule. For an employee working a compressed work schedule, holiday pay for non-overtime work is limited to the number of hours normally scheduled for that day. A part-time employee, scheduled to work on a day designated as an “in lieu of” holiday for full-time employees, is not entitled to a premium for work performed on that day. See 5 U.S.C. § 6128.
C. GS Employees. GS employees receive their basic pay, including any night differential, for holidays on which they are not required to work. Employees are entitled to additional holiday premium pay for work performed on a holiday not to exceed 8 hours, during the hours of their regularly scheduled tour of duty.

D. FWS Employees. FWS employees who have a regular tour of duty and are not required to work due to a holiday are entitled to the same rate of pay for that day as if they had worked. For work performed on a holiday, FWS employees are entitled to their basic rate plus premium pay at a rate equal to their basic pay for holiday work that is not more than 8 hours or is not overtime work. For additional information, see 5 C.F.R. 532.507.

E. Callback. Unscheduled overtime work performed by an employee on a day when work was not scheduled, or for which the employee is required to return to the place of employment is deemed to be at least 2 hours in duration. See 5 U.S.C. § 5542. If the callback occurs on a holiday during the employee’s regular schedule, an agency must pay a minimum of 2 hours holiday premium. The employee must record the actual time worked for time and attendance purposes. Employees working more than 2 hours are entitled to pay for the actual number of hours worked.

F. Training. An employee is not entitled to holiday premium pay while engaged in training, except under limited circumstances set out at 5 C.F.R. 410.402.

030306. Annual Premium Pay for Standby Duty

Employees may receive premium pay on an annual basis when working in a position regularly requiring them to remain at, or within the confines of, their station during longer than ordinary periods of duty, and a substantial part of which consists of remaining in a standby status rather than performing work. See 5 U.S.C. § 5545(c); 5 C.F.R. 550.141-550.144. Annual premium pay for standby duty is in lieu of premiums for regularly scheduled overtime, night, holiday, and Sunday work.

A. Irregular or Unscheduled Overtime. Additional hours of irregular or unscheduled overtime duty in excess of the regularly scheduled weekly tour are not compensated by standby premium pay, but are eligible for overtime pay consideration under 5 U.S.C. § 5542 or the FLSA overtime provisions at 29 U.S.C. § 207.

B. Rate of Payment. Premium pay is determined as an appropriate percentage, not in excess of 25 percent, of the rate of basic pay for the position not exceeding the minimum applicable rate of basic pay for GS-10, including any applicable locality-based comparability payment or similar provision of law, and any applicable special rate of or similar provisions of law. See 5 C.F.R. 550.141 and 5 U.S.C. § 5304.

030307. Annual Premium Pay for Administrative Uncontrollable Overtime (AUO)

A. Eligibility Criteria. Premium pay may be paid on an annual basis instead of other premium pay (except premium pay for regular overtime work and work at night, on
Sundays, and on holidays) when an employee is in a position in which the hours of duty cannot be controlled administratively. The position must require substantial amounts of irregular, unscheduled overtime work, with the employee generally being responsible for recognizing, without supervision, circumstances that require an employee to remain on duty. The circumstances under which payment of AUO is appropriate are extremely limited; in particular, AUO is not appropriate for FLSA nonexempt employees.

B. Rate of Payment. Title 5 U.S.C. § 5545(c)(2) provides that premium pay for AUO is an appropriate percentage, not less than 10 percent nor more than 25 percent, of the employee’s rate of basic pay. This includes any special rate of pay for LEOs, or special pay adjustment for LEOs under section 302 and 403 of the FEPCA, a locality-based comparability payment under 5 U.S.C. § 5304, and any applicable special rate of pay under 5 U.S.C. § 5305, or similar provision of law. See 5 C.F.R. 550.151. The HRO determines the rate and forwards the rate information to the PRO via SF 50 data. AUO for law enforcement personnel, which includes the office of special investigations agents, is subject to retirement and FEGLI deductions. See 5 U.S.C. § 8331(3)(D) and 8704(c)(2). The AUO for Open Mess/Club Managers is not subject to retirement or FEGLI deductions. See 5 U.S.C. § 8331(3)(C) and (D), and 5 U.S.C. § 8704(c)(1) and (2). For additional information, see CPM Guidance on AUO (CPM 97-5).

030308. Hazardous Duty Pay (HDP) and Environmental Differential Pay (EDP)

A. Hazardous Duty Pay

1. General. Under 5 U.S.C. § 5545(d) and 5 C.F.R. 550.901-907, GS employees who are assigned hazardous duty or duty involving physical hardship may be entitled to premium pay in the form of HDP. The HRO determines whether an employee is entitled to receive HDP. Hazardous duty means duty performed under conditions in which an accident could result in serious injury or death. Duty involving physical hardship means duty that may not be hazardous, but may cause extreme physical discomfort or distress that is not adequately alleviated by protective or mechanical devices. Some examples of duty involving physical hardship include duties involving exposure to extreme temperatures for a long period, arduous physical exertion, or exposure to fumes, dust, or noise that cause nausea, skin, eye, ear, or nose irritation.

2. Rate of Pay. The amount of HDP is determined by multiplying the percentage rate authorized for the exposure, found in 5 C.F.R. 550, Subpart I, by the employee’s hourly rate of pay. The PRO multiplies that amount by the number of HDP hours to be paid. The PRO computes and pays HDP for overtime hours based on the employee’s hourly rate of basic pay, not the hourly overtime rate.

3. Other

   a. HDP is not included as part of the employee’s basic rate of pay for computation of overtime, holiday pay, Sunday premium, or the amount of retirement, Thrift Savings Plan (TSP), and FEGLI deductions.
b. The PRO pays HDP for all hours in a pay status the day on which the exposure occurs.

c. Payment of HDP is not subject to the biweekly pay cap placed on other premium pay as discussed in subparagraph 030203.A. However, HDP is included in the aggregate limitation on pay as discussed in subparagraph 030203.B.

d. HDP may not be more than 25 percent of the employee’s rate of basic pay.

e. TP Pay Plan employees are not authorized HDP.

f. Agencies may not pay HDP for hours of work during which an employee is paid annual premium pay for standby duty, AUO work, or availability pay.

B. Environmental Differential Pay

1. General. Under 5 U.S.C. § 5343(c)(4), an FWS employee is entitled to an environmental differential when exposed to a working condition or hazard that falls within one of the categories approved by OPM. Pursuant to 5 C.F.R. 532.511, EDP is included as part of an FWS employee’s basic rate of pay for computation of overtime, holiday pay, Sunday premium, and the amount of retirement, TSP, and FEGLI deductions. It is not part of basic pay for purposes of lump-sum leave payments and severance pay. The HRO determines when EDP is payable and obtains approval from OPM for additional categories not listed in Appropriated Fund Operating Manual, Appendix J, Federal Wage System. TP pay plan employees are not authorized EDP.

2. Pay Rate. EDP is payable on an actual exposure basis and is payable for all hours the employee is in a pay status on the day on which exposure to the situation occurs, including overtime hours. The amount that is payable is determined by multiplying the percentage rate authorized for the exposure by the basic hourly rate of a WG 10, step 2, then multiplying that amount by the number of EDP hours to be paid. When EDP is payable for actual exposure, each exposure is separately considered. Hours posted must not exceed the hours of active duty on the day of exposure. If the exposure is less than 1 hour, agencies must pay a minimum of 1 hour. If the exposure is longer than 1 hour, the actual amount of time exposed is payable in 15 minute increments. See 5 C.F.R. 532.511.

0304 FOREIGN AND NON-FOREIGN ALLOWANCES AND DIFFERENTIALS

030401. General

A. Foreign Area. Allowances and differentials payable to employees officially stationed in foreign areas are established by the Secretary of State and published in the Department of State Standardized Regulations (DSSR). See 5 U.S.C. § 5921 - 5928. DoD Instruction 1400.25, Volume (V)1250 sets forth additional rules regarding foreign allowances and differentials for DoD civilian employees. The PRO will pay foreign differentials and allowances upon receipt through the interface of the SF 1190. Foreign Allowances Application, Grant, and Report.
B. **Nonforeign Area.** Allowances and differentials payable to employees officially stationed in non-foreign areas and the 50 states are established by OPM. See *[5 U.S.C. § 5941](https://www.gpo.gov/fdsys/search/fdsysgi.exe?_tab=documents&docid=fr20160601.030402.0000) and 5 C.F.R. 591.* The HRO will interface SF 50 data to inform the PRO when an employee is eligible for a non-foreign differential or allowance.

*030402. Foreign Area Allowances and Differentials

A. **Quarters Allowances.** Quarters allowances are intended to reimburse an employee substantially for all costs associated with either temporary or residence quarters whenever government-owned or government-rented quarters are not provided to the employee without charge. See *[5 U.S.C. § 5923(a)(1) and (2)](https://www.gpo.gov/fdsys/search/fdsysgi.exe?_tab=documents&docid=fr19950701.030402.0000) and DoDI 1400.25, V1250.

1. **Living Quarters Allowance (LQA).** The LQA entitlement is intended to reimburse an employee for rent and any costs not included in the rent amount for heat, light, fuel, gas, electricity, and water. Employees receiving LQA may not receive the Temporary Quarters Subsistence Allowance (TQSA) for the same period except under special circumstances as specified in DSSR, Chapter 100 sections 124.1 and 132.41.

   a. **LQA Rate.** The PRO determines the daily rate by dividing the annual amount by the number of days in a calendar year. This daily rate is paid for all applicable days in a pay period. Agencies pay LQA on a biweekly basis. LQA is not paid to an employee who is Absent Without Leave (AWOL) or on a suspension.

   b. **LQA Advance.** Agencies may advance LQA for a period of not less than 3 months or more than 1 year (unless specifically approved by the officer designated to authorize allowances). Advanced LQA must not exceed the lesser of the total rent advanced to the lessor, or the employee’s maximum LQA rate as authorized in the DSSR, Chapter 900, section 920.

2. **TQSA.** TQSA is an allowance granted to an employee for the reasonable cost of temporary quarters, meals, and laundry expenses incurred by the employee and/or family members. See *[5 U.S.C. § 5923; DSSR, Chapter 100, section 120, and DoDI 1400.25, V1250.]* TQSA is payable; 1) for a period not to exceed 90 days after first arrival at a new post in a foreign area, or for a period ending with the occupation of residence (permanent) quarters, if earlier; or 2) for a period not to exceed 30 days immediately preceding final departure from the post when the employee must vacate residence quarters. Receipts are required for lodging and laundry expenses, and the employee must submit a certified statement for the daily cost of meals. TQSA is based on the maximum per diem rate for the foreign location found in the DSSR, Chapter 900, *[Foreign Per Diem Rates by location.]* In accordance with the DSSR, Chapter 100, section 120:

   a. **Travel.** TQSA may continue during periods of official travel which authorize per diem, if the head of the agency determines the employee acted responsibly in retaining temporary quarters during the period of travel. See DSSR, Chapter 100, section 126.2.
b. **Extension.** The 90 and 30 day TQSE period may be extended up to 60 additional days if it is determined by the head of the agency that compelling reasons beyond the control of the employee require continued occupancy of temporary quarters. See DSSR, Chapter 100, section 122.2.

c. **Post Allowance.** Employees are not authorized post allowance while receiving TQSA. See DSSR, Chapter 100, section 127.

d. **Payments.** Payment of TQSA may be made:

   1. In advance for up to 30-day increments,
   2. In biweekly payments, or
   3. Upon completion of the TQSA period at the request of the employee and as authorized by the HRO.

e. **Prior to Termination of LQA.** The HRO may authorize payment of TQSA for up to 5 days prior to the termination of LQA when it is necessary to vacate permanent quarters in order to meet lease requirements for heavy cleaning, painting, or repairs when preceding final departure from the post. See DSSR, Chapter 100, section 124.1.

B. **COLAs.** COLAs are intended to reimburse an employee for certain excess costs, exclusive of any quarters cost, which result from being officially stationed in a foreign area. COLAs include post allowance, the foreign transfer allowance (FTA), the home service transfer allowance (HSTA), the separate maintenance allowance (SMA), the education allowance, and the educational travel reimbursement. See DSSR, Chapter 200 and 5 U.S.C. § 5924.

1. **Post Allowance.** Post Allowance is a COLA granted to an employee officially stationed at a post in a foreign area where the cost-of-living, exclusive of the cost of quarters, is substantially higher than in Washington, District of Columbia (D.C.). See DSSR, Chapter 200, section 220 and DoDI 1400.25, V1250.

   a. **Pay Rate.** The amount paid is a flat rate varying only by basic salary, size of the family, and location of the assigned post. The PRO determines the daily rate by dividing the annual amount by the number of days in a calendar year, then multiplying the daily rate by the number of days involved to obtain the biweekly amount. The daily rate is paid for all applicable days in a pay period, with the exception of days on AWOL or a suspension. Post allowance is not authorized to be paid at the same time an employee is receiving TQSA.

   b. **Payment upon Separation.** Post allowance is included in the computation of lump-sum leave payments upon separation from Federal service if the employee’s official duty station is in the foreign area when the employee becomes eligible for the lump-sum payment.
2. Foreign Transfer Allowance (FTA). FTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, that the employee incurs incident to being established at any post of assignment in a foreign area. The subsistence expense portion of FTA reimburses an employee for allowable expenses incurred prior to departure from a post in the U.S., its territories, possessions, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands to a post in a foreign area. FTA consists of four elements of which the following three are authorized within DoD for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within DoD. See DSSR, Chapter 200, section 240 and DoDI 1400.25, V1250.

3. Home Service Transfer Allowance (HSTA). HSTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred by an employee in connection with a transfer to a post of assignment in the U.S. The employee must sign a certification indicating he or she agrees to complete 12 months of government service following the effective date of transfer. HSTA consists of four elements of which the following three are authorized within DoD for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within DoD. See DSSR, Chapter 200, section 250 and DoDI 1400.25, V1250.

4. Separate Maintenance Allowance (SMA). SMA is an additional COLA paid to assist an employee to maintain a separate household other than at the employee’s foreign post of assignment for the employee’s family or a member of the family. The agency must determine the employee is compelled to obtain separate family quarters for reasons such as: 1) dangerous, notably unhealthy, or excessively adverse living conditions; 2) for the convenience of the government; or 3) because of special family needs. The rate is determined by the number of dependents maintained other than at the post of assignment and is computed at an annual rate. Agencies pay SMA for all applicable days in a pay period. The daily rate is determined by dividing the annual amount by the number of days in a calendar year. The biweekly amount is determined by multiplying the daily rate by 14. If any other period is involved, the amount payable is determined by multiplying the daily rate by the number of days involved. See DSSR, Chapter 200, section 260 and DoDI 1400.25, V1250.

5. Education Allowance. The education allowance assists the employee with the extraordinary and necessary expenses incurred because of service in a foreign area in providing adequate elementary and secondary education for a child or children. The education allowance covers expenses for which the employee is not otherwise compensated. The education allowance is not authorized for payment within DoD. However, reimbursement is authorized for transportation costs of dormitory student family members of eligible employees between the employee’s overseas duty station and the DoD Education Activity (DoDEA) approved school. See DSSR, Chapter 200, section 270, 5 U.S.C. § 5924, and DoDI 1400.25, V1250.

6. Educational Travel. Educational travel is reimbursement for travel to and from a school in the U.S. for purposes of attending a full-time course for secondary or college education. Reimbursement will be limited to one annual roundtrip. An annual roundtrip
is defined as one roundtrip at any time within any one 12-month period. Any portion of the roundtrip not taken in the 12-month period does not accrue to a subsequent period. See DSSR, Chapter 200, section 280, DoDI 1400.25, V1250, and 5 U.S.C. § 5924.

C. Representation Allowance. Representation allowances are intended to cover allowable items of expenditure by employees, including foreign national employees, whose official positions entail responsibility for establishing and maintaining relationships of value to the U.S. in foreign countries and by adult family members acting with, or on behalf of, these employees. Examples of allowable items are those of an entertainment or protocol nature, tips and gratuities, flowers and wreaths, or other representational expenses, which the head of an agency may authorize or approve as being of the type to promote the interest of the U.S. The employee’s position first must be designated by the Deputy Under Secretary of Defense for Civilian Personnel Policy as eligible for the allowance. A voucher of expenses incurred will be the basis for payment. See DSSR, Chapter 300 and DoDI 1400.25, V1250.

D. Official Residence Allowance. The defraying of official residence expenses is intended to make possible the operation and maintenance of official residences in which a principal representative can properly represent the U.S. abroad. Such representation includes extending official (as distinct from personal) hospitality to foreign dignitaries and important visitors, receiving official deputations and callers, and holding requisite and appropriate ceremonies smoothly and with dignity. This representation also includes keeping the residence appropriately staffed and operating. The Secretary of State must designate eligible employees. See DSSR, Chapter 400, 5 U.S.C. § 5913, and DoDI 1400.25, V1250.

E. Post Hardship Differential. Post hardship differential is additional compensation paid as an established percentage over basic compensation ranging from 5 to 35 percent. Post hardship differential is paid on an employee living in a location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions, as determined by the Secretary of State. Living costs are not considered in the determination. The PRO pays post hardship differential on a biweekly basis with regular salary and only for hours for which basic compensation is paid. Post hardship differential is paid on an employee living in a location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions, as determined by the Secretary of State. Living costs are not considered in the determination. The PRO pays post hardship differential on a biweekly basis with regular salary and only for hours for which basic compensation is paid. Post hardship differential is included in gross income and is subject to Social Security (Old Age, Survivors, and Disability Insurance (OASDI)) and/or Medicare, Federal, state, and local tax withholding. For employees with tours of duty commencing on or after October 28, 1991, post hardship differential is excluded from the lump-sum leave payment. See DSSR, Chapter 500, 5 U.S.C. § 5551, 5 U.S.C. § 5925, and DoDI 1400.25, V1250. In accordance with the DSSR, Chapter 500:

1. Post hardship differential is granted to full-time employees and temporary employees who are appointed on a full-time basis and who are U.S. citizens permanently assigned or on extended detail to a post where the differential is granted.

2. Post hardship differential for employees permanently assigned to a post commences on the latest of the following dates:

   a. The date the employee arrives at the post or the date the employee enters on duty if recruited locally,
b. The effective date of assignment, if the employee is already at the new post on detail or leave, or
c. The effective date a post is classified for a differential.

3. Post hardship differential for employees temporarily assigned to a post commences after the employee has spent 42 cumulative days at one or more differential locations without returning to a non-differential permanent post of assignment. The PRO pays the differential starting on day 43.

F. Danger Pay Allowance (DPA) and Imminent Danger Pay (IDP). Two forms of danger pay are available to eligible civilian employees:

1. **DPA.** DPA under the DSSR, Chapter 650, section 652(f) may be paid to an employee serving in a foreign area or post where certain conditions exist, as established by the Secretary of State. Conditions include civil insurrection, civil war, terrorism, or wartime conditions that threaten physical harm or present imminent danger to the health or well-being of the employee. DPA is additional compensation of up to 35 percent of the basic pay of the employee.

   a. The PRO pays DPA to full-time employees, temporary employees, and part-time and intermittent employees assigned for a minimum of 4 cumulative hours in 1 day to a danger pay post or area. All periods of leave taken while present at the danger pay post or areas may be included to meet the 4-hour requirement, but days of absence away from the post or area may not be included. When the employee is detailed to a danger pay post or area for 4 hours or more, he/she may receive DPA for the full day.

   b. For full-time employees and temporary employees, the PRO computes DPA at the percentage of basic compensation established for the post or area. For part-time regularly scheduled employees and intermittent employees, the PRO computes DPA at the prescribed percentage of basic compensation earned during the applicable period. DPA is not subject to any ceiling that would provide less than the full percentage rate authorized for the post or area. DPA is paid only for those hours for which basic compensation is paid and is subject to OASDI and/or Medicare, Federal, state, and local tax withholding. Where there is no duplication of benefits for the same living condition, a civilian employee may receive DPA and post hardship differential pay for the same period. DPA is not included as part of the lump-sum leave payment. See DSSR Chapter 650, section 656.

2. **IDP.** IDP is paid to a civilian employee who accompanies U.S. military forces in areas designated by the Secretary of Defense as being subject to hostile fire or imminent danger. See 5 U.S.C. § 5928, DSSR, Chapters 650 and 652(g) and DoDI 1400.25, V1250. On October 1, 1995, the State Department, at DoD’s request, added section 652(g) to the DSSR concerning IDP. The monthly amount of IDP is the same as the monthly flat rate paid to uniformed military personnel.
An employee may not receive IDP and a post hardship differential that would duplicate political violence credit. Nor may an employee receive IDP and DPA at the same time.

The PRO calculates IDP as a daily rate and pays it on a monthly basis. Daily rates are determined by dividing the monthly amount by the number of days in a month. This rate will change based on the number of days in a month. For periods of less than a month, an employee is entitled to the daily rate times the number of days in the month the employee is in the eligible area. IDP is subject to OASDI and/or Medicare, Federal, state, and local tax withholding. The IDP is not included as part of the lump-sum leave payment.

Commencement of DPA or IDP. DPA or IDP commences on the date of designation by the Secretary of State for employees already present at the post on assignment or detail. DPA or IDP commences on the date of arrival at the post or detail for subsequently assigned or detailed employees, or for employees returning after a temporary absence.

Receiving both DPA/IDP and a Post Hardship Differential. If authorized by the agency, an employee may receive both DPA/IDP and the post hardship differential. Extra pay from either an allowance or a differential is limited to no more than 35 percent of the employee’s rate of basic pay. When an agency authorizes both an allowance and a differential, the total pay for the allowance and the differential may not exceed 70 percent of the employee’s rate of basic pay.

Employees in a Non-Pay Status. All allowances granted under the DSSR may continue during periods when the employee is in a non-pay status not in excess of 14 calendar days at any one time. If a non-pay status lasts longer than 14 calendar days, allowances are suspended as of the day the employee enters the non-pay status, and payment is not to be made for any part of such period, unless otherwise specifically provided under the DSSR. See DSSR, Chapter 000, section 051.2. For information on the continuation of living quarters allowances during periods of a non-pay status, see DSSR, Chapter 100, section 132.2.b(2).

Non-Foreign Area Allowances and Differentials

Non-Foreign COLA. Non-foreign COLA is an allowance that OPM established at a location in a non-foreign area where living cost is substantially higher than the living cost in the area of Washington, D.C. Rates are available on the OPM, Pay and Leave, Non-Foreign Areas website.

Non-foreign areas are the states of Alaska and Hawaii, the Commonwealths of Northern Mariana Islands and Puerto Rico, and territories and possessions of the U.S. and any additional areas as designated by the Secretary of State. See 5 U.S.C. § 5941.

The Non-foreign Area Retirement Equity Assurance Act transitioned the non-foreign area COLA authorized under 5 U.S.C. § 5941(a)(1) to locality pay authorized under 5 U.S.C. § 5304 in the non-foreign areas as listed in 5 C.F.R. 591.205. The Act
also extended locality pay to American Samoa and other non-foreign territories and possessions of the U.S. where no COLA rate applied. OPM phased in locality pay over a 3-year period beginning in January 2010. Under the law, COLA rates issued under 5 C.F.R. 591 were frozen on October 28, 2009, the date of enactment. As locality pay increased under the Act, payable COLA rates were reduced as specified in CPM Memorandum 2010-23, Retained Rate Adjustments in Non-foreign Areas. Consequently, covered employees may have received both locality pay and a reduced COLA for a number of years.

B. Non-foreign Post Differential. Non-foreign post differential is payable under 5 U.S.C. § 5941(a)(2), if conditions of the duty station’s environment differ substantially from the conditions of the environment in the continental U.S. and warrant an allowance as a recruitment incentive. Non-foreign post differentials are designed to attract persons from outside the non-foreign area to work for the Federal Government in the post differential area. Rates and locations are available on the OPM, Pay and Leave, Non-Foreign Areas website. Agencies must make these payments to all eligible civilian employees in the area whose basic pay is fixed by statute. Generally, allowances and differentials are not paid during periods an employee does not receive basic pay. The pay of FWS employees is based on the wages paid in the locality and is not covered under this section.

C. Processing Non-foreign COLA and Non-foreign Post Differentials

1. Limitation. Extra pay from an allowance or a differential, or both, may not exceed 25 percent of the employee’s rate of basic pay. In areas where OPM has authorized both a non-foreign COLA and a non-foreign post differential, the employee receives the full COLA and a partial post differential so as not to exceed the 25 percent of the employee’s hourly rate of basic pay. See 5 C.F.R. 591.238.

2. Computation. Employees receive non-foreign COLA and non-foreign post differential as a percentage of the employee’s hourly rate of basic pay, including a retained rate of pay under 5 U.S.C. § 3594(c) or 5363, for those hours during which the employee receives basic pay. This includes all periods of paid leave, detail, or travel status outside COLA or non-foreign post-differential area. See OPM, Pay and Leave, Non-Foreign Areas website for rates.

3. Taxation. Non-foreign COLA is not included in gross income for OASDI and/or Medicare, Federal, or state income tax withholding. Non-foreign post differential is included in gross income for OASDI and/or Medicare, Federal, state, and local income tax withholding. See Table 4-1 of Chapter 4.

4. Treatment for the Purposes of Overtime and other Entitlements. Non-foreign COLA and non-foreign post differential may not be included as part of an employee’s rate of basic pay for the purpose of computing entitlements to overtime pay, retirement, TSP, FEGLI or any other additional pay. See 5 C.F.R. 591.239. The allowance or differential is included in an employee’s regular rate of pay for computing overtime pay for FLSA nonexempt employees. See 5 C.F.R. 591.239. The allowance or differential is included in the computation of lump-sum leave payments if the employee’s official duty station is in the non-foreign area when
he or she becomes eligible for a lump-sum payment under 5 C.F.R. 550.1203. See 5 C.F.R 550.1205(b)(8).

0305 OTHER PAY, DIFFERENTIALS, AND ALLOWANCES

030501. Physicians’ Comparability Allowance

A. Eligible Federal physicians who enter into service agreements with their agencies may be authorized a physician comparability allowance. See 5 C.F.R. 595 and 5 U.S.C. § 5948. The allowances are paid only for certain categories of physicians that are the subject of recruitment and retention problems for the agency. The allowance is fixed at the minimum amounts necessary. Unless otherwise provided in the agreement, if the physician fails to complete at least 1 year of service, either voluntarily or because of misconduct, the physician must refund of the total amount received (unless the head of the agency determines that the failure was beyond the control of the physician). If the physician completes more than 1 year of service, but fails to complete the full period of service specified in the agreement, the physician must refund the amount of allowance he or she received under the agreement for the 26 weeks of service immediately preceding the termination (or longer if specified in the service agreement).

B. The amount received must not exceed:

1. $14,000 per annum if, at the time the agreement is entered into, the government physician had served as a government physician for 24 months or less; or

2. $30,000 per annum if the government physician has served as a government physician for more than 24 months. See 5 U.S.C. § 5948(a).

C. The PRO may not pay an allowance pursuant to this section to any physician who:

1. Is employed less than 20 hours per week or on an intermittent basis,
2. Is employed in an internship or residency training position,
3. Is a reemployed annuitant, or
4. Is fulfilling a scholarship obligation to the U.S. Government.

D. Any allowance paid under this section is not considered basic pay for the purposes of 5 U.S.C. § 5551 (lump sum leave payments), 5552 (lump sum leave on entering active duty), and 5595 (severance pay), 5 U.S.C. Chapters 81 (compensation for work injuries), and 87 (FEGLI), or other benefits related to basic pay. See also 5 U.S.C. § 5948(h)(1). However, this allowance is included as basic pay for computing Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS) and TSP contribution amounts, and for computing disability retirement benefits and survivor benefits for death-in-service. See OPM Benefits Administration Letter (BAL) 04-102.
E. The PRO must pay any allowance under this section for a government physician in the same manner and at the same time as the physician’s basic pay is paid. This allowance is subject to retirement and TSP deductions. This allowance is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. The allowance is subject to the aggregate limitation on pay discussed in subparagraph 030203.B.

030502. Supervisory Differential

A. The authority to approve payment of supervisory differentials under 5 U.S.C. § 5755 and 5 C.F.R. 575, Subpart D is delegated through, and subject to, the authority of the head of the DoD Component and the Component chain of command to the official(s) who exercises personnel-appointing authority (normally, the head of an installation or activity). Only the Secretary or Deputy Secretary of Defense may approve a supervisory differential for an individual appointed to a Schedule C position, as defined by 5 C.F.R. 213. The DoDI 1400.25, V575 contains additional detailed guidance on the supervisory differential entitlement. The agency authorizes payment of a supervisory differential to a GS employee who has supervisory responsibility for one or more non-GS employees. The agency may authorize the differential if one or more of the subordinate civilian employees would be paid more than the supervisory employee in the absence of such a differential.

B. The HRO will provide a dollar amount equal to the value of the authorized percentage by submission of SF 50 data. The PRO calculates the supervisory differential as a percentage of the supervisor’s rate of basic pay. The PRO pays the supervisory differential in the same manner and at the same time as basic pay. The supervisory differential is not considered part of basic pay for any purpose, including retirement, FEGLI, or TSP. This differential is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. The supervisory differential is subject to the aggregate limitation on pay discussed in subparagraph 030203.B.

030503. Remote Site Allowance

The remote site allowance is paid to an employee who is assigned to duty, except temporary duty, at a site so remote from the nearest established community or suitable place of residence as to require an appreciable degree of expense, hardship, and inconvenience in commuting. Such hardships and inconveniences must extend beyond those normally encountered in metropolitan commuting. When so assigned, the employee is entitled to an allowance not to exceed $10 per day, in addition to pay otherwise due to the employee. See 5 U.S.C. § 5942 and 5 C.F.R. 591, Subpart C.

030504. Uniform Allowance

Defense agency employees required by law or regulation to wear uniforms during the performance of official duties may be reimbursed a uniform allowance in accordance with the rates posted in the DoDI 1400.25, V591. The agency’s authorized management official must approve the payment of a uniform allowance. Uniform allowances are not considered wages.
030505. Qualified Transportation Fringe Benefits

A. Title 5 U.S.C. § 7905 authorizes Federal agencies to offer transportation fringe benefits to employees in accordance with 26 C.F.R. 1.132-9. Pursuant to 26 U.S.C. § 132, qualified transportation fringe benefits provided to employees, including transit passes, qualified parking, and transportation in commuter highway vehicles, is not included in gross income for Federal tax purposes. DoDI 1000.27 implemented the Mass Transportation Benefit Program (MTBP) on October 28, 2008, for eligible DoD employees. The MTBP provides benefits for qualified means of transportation, such as commuter bus or train, subway or light rail, ferry or vanpool. A DoD employee who receives subsidized parking is not eligible to participate in the MTBP. Each DoD Component implements policy and procedures in accordance with the MTBP. Agencies may offer qualified Federal employees transit-pass-transportation fringe benefits in the National Capital Region as described in Executive Order 13150. See 26 U.S.C. § 132 (f).

B. Each year, the Internal Revenue Service (IRS) sets limits on the amount that may be excluded from an employee’s taxable wages each month for the total value of qualified transportation fringe benefits. See IRS Publication 15-B, Employer’s Tax Guide to Fringe Benefits. Amounts within the monthly limit are not considered wages and therefore, are paid through the servicing commercial accounts office. If the value of the benefit for any month is in excess of the qualified published limits, the amount over the limit is includible as gross income and is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. The value of the benefit is not subject to retirement, FEGLI, or TSP deductions. See Chapter 9 for reporting information.

030506. Government-Provided Home-to-Work Transportation

A. Title 26 C.F.R., section 1.61-21 provides detailed rules for determining the employer-provided home-to-work benefit that is reported on an eligible employee’s Form W-2, Wage and Tax Statement. The DoD 4500.36-R requires the OUSD Comptroller, in coordination with the OUSD for Personnel and Readiness, provide annual guidance concerning the valuation methods for home-to-work transportation. Employers are responsible for determining the value of the employer-provided benefit and reporting it to the DFAS for the employee’s Form W-2. The benefit is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. The benefit is not subject to retirement, FEGLI, or TSP deductions.

B. Employers must submit the required information to the servicing payroll office by December 1 of each year. However, DoD employing activities will not report on a calendar year basis. Rather, they will report for the 12-month period from November 1 through October 31. The value of the benefits received in November and December will be considered paid in the next year as authorized by the IRS Publication 15-B.

*030507. Foreign Language Proficiency Pay (FLPP)

Under 10 U.S.C. § 1596 and 1596a, the Secretary of Defense is authorized to pay FLPP to eligible DoD employees who are performing intelligence or non-intelligence duties requiring proficiency in foreign languages. FLPP is not considered basic pay for any purpose and does not
count toward retirement, TSP, FEGLI or any other benefit related to basic pay. FLPP is not pay for the purposes of lump-sum payments for leave under 5 U.S.C. § 5551 or 5552. FLPP is considered a discretionary, continuing payment for calculation of the aggregate limitation on pay. See information regarding aggregate limitation on pay in subparagraph 030203.B. FLPP is not to be paid if the employee is in a LWOP or other unpaid status in excess of 10 consecutive work days, or in an extended paid absence in excess of 30 consecutive work days.

A. FLPP for Intelligence Interests under 10 U.S.C. § 1596. The annual rate of special pay under 10 U.S.C. § 1596 is determined by the Secretary of Defense. FLPP may be paid in addition to pay under 10 U.S.C. § 1602. See DoDI 1400.25, V2016. The Secretary of Defense has the authority to pay special pay to an employee of DoD who:

1. Has been certified as being proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the Department is important for the effective collection, production, or dissemination of foreign intelligence information; and

2. Is serving in a position, or is subject to assignment to a position, in which proficiency in that language facilitates performance of officially assigned intelligence or intelligence-related duties.

B. FLPP for Non-intelligence Interests under 10 U.S.C. § 1596a. The rate of special pay for an employee under 10 U.S.C. § 1596a shall be prescribed by the Secretary of Defense, but may not exceed 5 percent of the employee's rate of basic pay. Special pay under 10 U.S.C. § 1596a is in addition to any other pay or allowances to which the employee is entitled. See DoD Memorandum dated November 3, 2006 “Foreign Language Proficiency Pay for DoD Civilian Employees Performing Non-Intelligence Duties.” Pursuant to 10 U.S.C. § 1596a the Secretary of Defense has the authority to pay special pay to a DoD employee who:

1. Has been certified by the Secretary of Defense to be proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the Department is necessary because of national security interests;

2. Is assigned duties requiring proficiency in that foreign language; and


030508. Market Pay

A. Purpose. Under 10 U.S.C. § 1599c, each physician and dentist covered by DoDI 1400.25, V543, is eligible for market pay in lieu of locality pay. Market pay is an element of annual pay (base pay rate plus market pay) intended to reflect the recruitment and retention needs for the specialty or assignment of a particular DoD physician or dentist.

B. Payment Determinations. A compensation panel must make a recommendation to an authorized management official regarding the appropriate market pay
amounts for individual physicians and dentists according to guidelines established by the Health Professions Civilian Compensation Standing Committee (HPCCSC). Market pay is based on criteria such as level of experience, need for medical specialty practice, the healthcare labor market, board certifications, and personal accomplishments. See DoDI 1400.25, V543.

1. The authorized management official determines the amount of market pay for the physician or dentist, which may require additional approval of the HPCCSC. Once set, market pay for an individual may not be reduced unless the physician or dentist changes assignment. The compensation panel must review the market pay of each physician or dentist upon changes in assignment and not less than once every 24 months.

2. The agency must approve market pay for newly appointed physicians or dentists within 30 days following their appointment; all payments are retroactive to the effective date of the appointment.

C. Limitations. Physicians or dentists who receive market pay are not eligible for the physicians’ comparability allowance under paragraph 030501, or premium pay (such as overtime, night pay, compensatory time off) under paragraph 030301. A physician or dentist receiving market pay may not receive grade or pay retention under 5 U.S.C. Chapter 53. The sum of all payments paid to the physician or dentist including base pay, but excluding market pay, is subject to the Executive Level I annual limitation. The sum of all payments subject to the Executive Level I annual limitation and market pay cannot exceed the annual salary of the President, excluding expenses.

030509. Reservist Differential

A. Purpose. Under 5 U.S.C. § 5538, effective March 15, 2009, Federal agencies are required to make reservist differential payments to eligible Federal civilian employees who are members of the Reserve or National Guard called or ordered to active duty under certain specified provisions of law. A reservist differential is payable to an employee during a qualifying period in the amount of basic pay which would have been payable had they not been called or ordered to active duty in the uniformed service. Additional information on this topic is provided in OPM’s Reservist Differential, Agency Implementation Guidance and OPM Frequently Asked Questions.

B. Payment. Reservist differential is payable when an eligible employee’s projected civilian basic pay for a covered pay period exceeds actual military pay and allowances allocable to that pay period. See 5 U.S.C. § 5538. Payroll makes payments from the same appropriation that is used when the employee is in a pay status. Reservist differential is considered due no later than 8 weeks after the normal scheduled civilian pay date, unless the necessary information is not received 4 weeks prior to that date. Reservist differential is not considered as basic pay for any purposes; it is a supplemental payment based on a comparison of projected civilian basic pay and military pay and allowances. Payments are not subject to OASDI, and/or Medicare tax withholding for periods of active duty of more than 30 days. However, reservist differential is subject to:
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1. Federal tax (must appear in box 1 of the Form W-2), and

2. OASDI and/or Medicare tax withholding for periods of active duty 30 days or less.

C. Leave and LWOP. An employee receiving reservist differential is still considered to be on LWOP unless on paid leave or paid time off (including military leave). An employee may not receive reservist differential for a period for which the employee receives basic pay for time worked, the use of any type paid leave, or other paid time off.

*0306 RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES

Recruitment, relocation, and retention incentives are compensation flexibilities available to help Federal agencies recruit and retain employees. See 5 U.S.C. § 5753 and 5754 and 5 C.F.R. part 575, subparts A, B, and C.

030601. Recruitment Incentive

A. Purpose. Payment of recruitment incentives is authorized by 5 U.S.C. § 5753 and 5 C.F.R. 575, Subpart A. An agency may pay a recruitment incentive to an eligible newly appointed employee, under the conditions specified in the regulations, provided the agency has determined that the employee’s position is likely to be difficult to fill in the absence of an incentive. The total amount of recruitment incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee 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. OPM may waive the 25 percent limitation based on critical agency need. The agency must document the justification for paying a recruitment incentive.

B. Service Agreement. Before a recruitment incentive may be paid, the employee must sign a written agreement to serve a specified period of employment with the agency. The service period may not be less than 6 months or more than 4 years. See 5 C.F.R. 575.110.

C. Payment Options. The agency authorizes and establishes payment options. See 5 C.F.R. 575.109. An agency may pay the recruitment incentive by any of the following methods, or combination thereof, as specified in the service agreement:

1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement;

2. Installment payments throughout the service period; or

3. A lump-sum payment upon completion of the full service period.

D. Payment of Recruitment Incentive. Recruitment incentives are not considered part of the employee’s basic pay for any reason.
1. An incentive may only be paid to an employee who has received a written offer of employment and signed a written service agreement.

2. The recruitment incentive is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.

3. The recruitment incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 C.F.R. 530, Subpart B.

4. The incentive will be included with regular salary payments and separately identified on the LES.

E. Termination of a Service Agreement. An agency must notify an employee in writing when it terminates the service agreement. The employee may not grieve or appeal the termination of a service agreement.

1. Mandatory Termination. A demotion or separation for cause, or a less than “Fully Successful” or equivalent rating terminates the service agreement. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must repay any portion of the incentive attributable to uncompleted service. The PRO prorates the full amount of the authorized recruitment incentive across the length of the service period to determine the amount attributable to completed and uncompleted service. The PRO must recover the amount owed by the employee in accordance with provisions established by debt collection regulations. See Volume 16. The HRO must notify the PRO of the recruitment incentive repayment/debt via SF 50 data.

2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

F. Documentation and Recordkeeping. The HRO must document each recruitment incentive via information derived from an SF 50.

030602. Relocation Incentive

A. Purpose. Payment of relocation incentives is authorized by 5 U.S.C. § 5753 and 5 C.F.R. 575, Subpart B. An agency may pay a relocation incentive to a current eligible employee who must relocate, without a break in service, to accept a position in a different geographic area that is likely to be difficult to fill in the absence of an incentive. See 5 C.F.R. 575.205(b). The total amount of relocation incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee 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. OPM may waive the 25 percent limitation based on critical agency need. Agencies must document the justification for paying a relocation incentive.

B. Service Agreement. Before a relocation incentive may be paid, the employee must sign a written agreement to serve a specified period of employment with the agency. The service period may not be more than 4 years. See 5 C.F.R. 575.210.

C. Group Relocation Incentives. An authorized management official may make a determination to approve group relocation incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees is subject to a mobility agreement and relocation incentives are necessary to ensure continuation of operations, or when a major organization unit is relocating to a new duty station and the incentive will ensure continued operations of that unit without disruption. The group incentive is supported by written determinations that specifies the group and the period of time during which the authorization is valid.

D. Payment Options. The agency authorizes and establishes the payment options for relocation incentives. See 5 C.F.R. 575.209. An agency may pay the relocation incentive by any of the following methods as specified in the service agreement:

1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement;

2. Installment payments throughout the service period; or

3. A lump-sum payment upon completion of the full service period.

E. Payment of Relocation Incentive. The relocation incentive must not be considered a part of the employee’s basic pay for any reason.

1. The relocation incentive is subject to OASDI and/or Medicare and Federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.

2. The relocation incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 C.F.R. 530, Subpart B.

3. The incentive will be included with regular salary payments and separately identified on the LES.

4. The agency will not pay the incentive until the employee establishes a residence in the new geographic location.

F. Termination of a Service Agreement. An agency must notify an employee in writing when it terminates the service agreement for the relocation incentive. The employee may not grieve or appeal the termination of a service agreement.
1. **Mandatory Termination.** If the employee is demoted for cause, separates for cause, or the employee receives a less than “Fully Successful” or equivalent rating, the service agreement will terminate. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that is in excess of the amount attributable to completed service. The PRO must prorate the full amount of the authorized relocation incentive across the length of the service period to determine the amount of the relocation incentive attributable to completed service and uncompleted service. The PRO must recover the amount owed by the employee in accordance with agency debt collection regulations. See Volume 16. The HRO must notify the PRO of the relocation incentive repayment/debt via SF 50 data.

2. **Discretionary Termination.** An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to the termination based on management needs is entitled to all incentive payments already received.

G. **Documentation and Recordkeeping.** The HRO must document each relocation incentive via an SF 50.

030603. Retention Incentive

A. **Purpose.** *Title 5 U.S.C. § 5754* and 5 C.F.R. 575, Subpart C authorizes a payment of retention incentives. An agency may offer a retention incentive of up to 25 percent of basic pay to a current eligible employee who has unusually high or unique qualifications or when the agency has a special need for the employee’s services making it essential to retain the employee. See 5 C.F.R. 575.305. OPM may waive the 25 percent limitation based on critical agency need. Agencies must document justification for paying retention incentives.

B. **Service Agreement.** The employee must sign a written agreement to serve a specified period of employment with the agency before a retention incentive is paid. However, a service agreement is required for biweekly installment payments only when the incentive is granted under special provisions by the DoD or the employee receives a reduced percentage for each installment made prior to the final payment.

C. **Group Retention Incentives.** An authorized management official may make a determination to approve group retention incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees has unusually high or unique qualifications or the group’s services make it essential to retain the employees in that group. Additionally, there must be a high risk that a significant number of the employees in the group would be likely to leave Federal service without the retention incentive. Unless OPM authorizes a higher rate, group retention incentives may be up to 10 percent of an employee’s rate of basic pay. Agencies may not pay group retention incentives to employees in SL, ST, or Executive Schedule positions or other employees with approved recruitment incentives from OPM.

D. **Payment Options.** Title 5 U.S.C. § 5754 and 5 C.F.R. 575.309 set out payment options for retention incentives. Agencies may not pay retention incentives as an initial
lump-sum payment at the start of a service period or as an installment paid in advance. An agency may pay retention incentives using the following methods as specified in the service agreement:

1. Installments after the completion of specified periods of service, or
2. A single lump-sum payment after completion of the full service period.

E. Payment of Retention Incentive. Retention incentives are not considered a part of the employee’s basic pay for any purpose.

1. The retention incentive is subject to OASDI and/or Medicare and Federal, state and local income tax withholding. This incentive is not subject to retirement, FEGLI or TSP.
2. The retention incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 C.F.R. 530, Subpart B.
3. The incentive will be included with regular salary payments and separately identified on the LES.

F. Termination of a Service Agreement

1. Mandatory Termination. If an employee is demoted for cause, separates for cause, or the employee receives a less than “Fully Successful” or equivalent rating, the service agreement will terminate. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that are in excess of the amount attributable to completed service. The employee is entitled to retain any retention incentive payments attributable to completed service and is entitled to receive any portion of a retention incentive payment owed by the agency for completed service. The PRO must recover the amount owed by the employee in accordance with agency debt collection regulations. See Chapter 8 and Volume 16, Chapter 3. The HRO must notify the PRO of the retention incentive repayment/debt via SF 50 data.

2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

3. Decisions to Terminate. Employees may not grieve or appeal decisions to terminate the service agreement.

G. Documentation and Recordkeeping. The HRO documents each retention incentive via an SF 50.
LUMP-SUM LEAVE PAYMENTS

Lump-Sum Payments for Annual Leave

Lump-sum payments for unused annual leave are generally payable when an employee separates from Federal service, dies, transfers to a position not under a leave system under 5 U.S.C. Chapter 63, Subchapter I, or enters active duty in the armed forces. See 5 U.S.C. § 5551, 5552, 6306 and 5 C.F.R. 550, Subpart L.

Lump-Sum Payable

Lump-sum payments for accumulated and accrued annual leave are paid as follows:

A. Payment to Separated Employees. An employee, as defined by 5 U.S.C. § 2105, who separates or retires from Federal service is paid in a lump-sum for all unused annual leave through the last full pay period before separation. If the employee is separated or has a break in service (from one agency to another) and is reemployed in a position before a lump-sum is paid, then payment is made for the days the employee was not in the Federal service (less withholding tax). The remainder of the annual leave is transferred to the gaining agency.

B. Payment to Certain Other Employees. An employee is entitled to a lump-sum payment for accumulated and accrued annual leave when he or she:

1. Transfers to a position not under a leave system to which annual leave may be transferred;

2. Moves to a position as an intermittent employee with no established regular tour of duty or to a position as a temporary employee engaged in construction work at hourly rates;

3. Enters active duty in the armed forces, provided the employee does not elect to retain the annual leave to his or her credit. See 5 U.S.C. § 5552. However, leave previously restored under 5 U.S.C. § 6304(d) must be liquidated by lump-sum payment when the employee enters active duty. The agency may not re-credit the previously restored leave when the employee returns to Federal service. See 5 U.S.C. § 6304(d)(2); or

4. Transfers to a public international organization, provided the employee does not elect to retain the annual leave to his or her credit. See 5 U.S.C. § 3582. However, leave previously restored under 5 U.S.C. § 6304(d) must be liquidated by lump-sum payment when an employee transfers to the public international organization. The agency may not re-credit the previously restored leave under these circumstances. Additionally, only employees who the agency reemploys within 6 months after the transfer are required to refund the lump-sum payment.

C. Payment to Beneficiary. The balance of the annual leave of a deceased employee shall be paid in a lump-sum to his or her designated beneficiary. If an employee has not
designated a beneficiary, a lump-sum is paid in the established order of precedence under 5 U.S.C. § 5582(b).

030703. Lump-Sum Not Payable

The PRO may not make a lump-sum payment to an employee for accumulated annual leave when he or she is:

A. An employee transferring to another Federal position to which annual leave is transferable without a break in service of one workday or more;

B. A DoD or non-appropriated fund employee who moves without a break in service of more than 3 days to an appropriated fund position within DoD. See 5 U.S.C. § 6308(b);

C. A student trainee placed in an intermittent status between full-time tours of duty when no separation actually takes place;

D. An employee who transfers to the government of Washington D.C. or the U.S. Postal Service;

E. An employee employed in more than one part-time position who separates from one of the part-time positions. The former employing agency must transfer the accumulated and accrued leave to the current agency if the positions are in different agencies. If the positions are in the same agency, credit the accumulated and accrued leave to the employee’s current leave account in the current position; or

F. An employee who elects to retain his or her leave upon accepting a Presidential appointment. See 5 U.S.C. 3392(c).

030704. Computation of Lump-Sum Payment

A. General. The PRO calculates the lump-sum payment for annual leave, including restored and reinstated annual leave, and includes all pay changes the employee would have received had he or she remained in a duty status throughout the projected leave period. See the OPM Pay and Leave, Pay and Leave Administration, Fact Sheet: Lump-Sum Payments for Annual Leave and 5 U.S.C. § 5551. Holidays count as workdays in projecting the lump-sum leave period. For example, an employee whose retained pay is scheduled to terminate during the projected leave period should have the lump-sum leave payment computed based on the pay being received at the time of separation for the period covered by the retained rate, with the remainder computed at the scheduled reduced rate. An employee is entitled to an adjustment in the lump-sum leave payment when a statutory change in pay becomes effective on a date that occurs during the projected leave period. Pay included in a lump-sum payment is as follows:

1. Rate of basic pay;

2. Locality pay or other geographic adjustment;
3. Within-grade increases (if waiting period met on date of separation);
4. Across-the-board annual pay adjustments;
5. AUO pay, availability pay, and standby duty pay;
6. Night shift differential (FWS employees only, see 5 U.S.C. § 5343(f));
7. Regularly scheduled overtime pay under FLSA for employees on uncommon tours of duty;
8. Supervisory differentials;
9. Non-foreign area COLAs and post differentials; and
10. Foreign area post allowances.

B. FWS Employees. The lump-sum payment for an FWS employee is adjusted if the separation occurs after the issue date of a wage schedule or after a wage survey was ordered, but before the effective date of the wage increase, as follows:

1. When an FWS employee separates before the effective date of a wage increase and his or her accrued annual leave extends beyond the effective date, the employee is entitled to have his or her lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase.

2. When an FWS employee separates after a wage survey is ordered, but before the date of the order granting the wage increase is issued, the employee is entitled to have the lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase. The order that grants the new wage rate must be issued before the effective date set by 5 U.S.C. § 5344(b)(1) and (2).

C. Projecting the Leave. Lump-sum payments must equal the pay an employee would have received had he or she remained in Federal service and used this leave. Non-workdays, except holidays, do not count against the leave when projecting the period for payment of lump-sum leave. The period covered by a lump-sum leave payment is not counted as Federal civilian service. See 5 U.S.C. § 6103 and 5 C.F.R. 550.1204.

D. Reemployed Annuitants. The lump-sum payment for reemployed annuitants upon separation from the service is based on the full pay rate without any reduction by the amount of the annuity. See 5 C.F.R. 550.1203

E. Temporary Promotions. If the temporary promotion is not terminated prior to, or as of, the employee’s separation date, the lump-sum leave will be paid at the rate of the temporary promotion through the not to exceed date. After that time, the rate will revert to the employee’s permanent rate of pay.
F. **Payment.** DFAS pays lump-sum leave at the end of the pay period in which it receives the separation transaction. Thus, lump-sum leave may or may not be included with any regular pay earned, depending on when DFAS receives the separation transaction. DFAS identifies payments separately, allowing for taxation of the lump-sum leave at a flat 25 percent for Federal withholding, except when the employee’s exemptions claimed on the Form W-4, Employee’s Withholding Allowance Certificate, exceed the regular pay. In the latter situation, the lump-sum leave and the regular pay for the pay period are combined and the taxes will be computed as if the total were a single payment. **Lump sum annual leave payments are not subject to deductions for FEHB, FERS, FEGLI or TSP.** Payments are subject to offset for debts owed to the United States. See 5 CFR 550.1205.
030705. Refunds

When an employee receives a lump-sum leave payment, and subsequently returns to the Federal service in a position subject to a formal leave system, the employee is required to refund the unexpired portion of the period covered by the lump-sum leave payment. The refund amount is equal to the payment covering the period between the date of reemployment and the expiration of the lump-sum period. This refund is required because all such unexpired leave is subject to re-credit even though transfer to a different leave system is involved. Re-credit of leave will be determined subject to the following subparagraphs.

A. Regular Annual Leave

1. If reemployment is in the same leave year, any part of the refund (which is for a period of leave in excess of the employee’s formerly established leave ceiling for the year) is subject to the regular procedures regarding forfeiture or possible restoration at the end of the leave year. The PRO may pay excess leave in another lump-sum payment if another separation occurs before the end of the leave year.

2. If reemployment is in a subsequent leave year, and any part of the refund is for a period exceeding the leave ceiling (e.g., 240 hours for stateside and 360 for overseas), a refund will be required of the unexpired portion. However, only a maximum of the leave ceiling hours may be credited to the regular leave account and any hours in excess of the leave ceiling are considered forfeited, unless it can clearly be established that the excess would have become restored in a separate account if the separation had not occurred.

B. Restored Annual Leave. A period of restored leave under 5 U.S.C. § 6304(d) is not subject to refund if the agency reemploys the employee prior to the expiration of the lump-sum leave period. The PRO subtracts such leave from the lump-sum leave period before calculating the refund. If the employee is reemployed, the agency will not credit restored annual leave to an employee prior to the expiration date of the lump-sum leave period.

030706. Payment for Restored Leave for Base Realignment and Closure (BRAC)

Title 5, U.S.C. § 5551 requires payment of restored annual leave under 5 U.S.C. § 6304(d)(3) in certain situations. A lump-sum payment must be made to any DoD employee moving to a position in any non-DoD Federal agency or to any position within DoD that is not located at an installation being closed or realigned under 5 U.S.C. § 6304(d)(3). The servicing HRO must notify the PRO via SF 50 data when the employee is no longer authorized the restored leave under this authority. The lump-sum payment calculation is the rate of pay at the time of the separation or transfer to the non-BRAC installation.
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0308 SEVERANCE

030801. Qualifications

An employee who qualifies under 5 U.S.C. § 5595 is entitled to severance pay in regular pay period intervals and amounts equal to that paid immediately before separation. Title 5 U.S.C. § 5595(i) allows for the heads of DoD Components to authorize payment of severance pay in a lump-sum rather than on a biweekly basis for separations taking effect before October 1, 2014. An employee separated within a pay period rather than at the end of the pay period receives an initial payment of severance pay for the remainder of that pay period. The PRO will compute severance pay for employees with variable work schedules or rates of basic pay using the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation. See 5 C.F.R. 550.707(b).

030802. Payments

A. Severance Payments. The servicing payroll office pays authorized severance payments either biweekly or in a lump-sum based on the information processed on an SF 50. Severance payments for employees are subject to appropriate withholding for income and OASDI/Medicare taxes. See 5 C.F.R. 550.709(b).

B. Severance Payments upon Death of Employee. If an employee dies prior to the end of the period covered by severance pay, then the severance pay will continue to be paid as if the employee were still living (5 U.S.C. § 5595(e)), and must be paid to the employee’s beneficiary in accordance with 5 U.S.C. § 5582(b). Appropriate withholding will be made for OASDI and/or Medicare and Federal, state, and local income taxes. Payments made to beneficiaries are not subject to Federal tax withholding requirements. However, if a beneficiary receives payment in the year in which the employee dies, the payment is subject to the withholding of OASDI and/or Medicare taxes.

C. Debt Collection and Garnishment. Collection of indebtedness from an employee’s severance pay is permissible under 31 U.S.C. § 3716. These payments are subject to collection for any outstanding debts owed to the Government. Additionally, under 5 C.F.R. 581.103, severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts. Court-ordered garnishments are cancelled upon the death of the employee.

030803. Withholding Tax Reporting

Severance pay is taxable in the year that the employee receives the pay. The PRO must include this amount on the employee’s Form W-2 and will withhold appropriate Federal and state taxes. If an employee dies, the PRO must report any severance pay paid to the beneficiaries on Form 1099-MISC.
030804. Termination of Severance Pay

If an agency reemploys a former employee in Federal service, severance pay will be discontinued when the PRO receives official notification from the HRO. Discontinuation of payments is effective on the date of reemployment. The losing agency must report the total of amounts paid to the gaining activity or agency. The agency uses this information to determine future entitlement to severance pay since total severance pay during an employee’s lifetime cannot exceed one year’s pay at the rate received immediately before separation. See 5 U.S.C. § 5595(c).

0309 ADVANCED PAY

030901. Foreign Post Assignment Advances

Advances of pay for DoD civilian employees proceeding to or arriving at a post of assignment in a foreign area are authorized, when applicable. An advance of pay is a prepayment made available to an employee in a pay status. With each permanent change of station (PCS) to a foreign area, an employee may be authorized a single, lump-sum pay advance of up to 3 months of base pay. The purpose of advances is to finance unusual employee expenses associated with overseas assignments and to aid foreign assignment recruitment and retention. Such expenses may include transportation, storage of household goods, shipping costs, deposits on living quarters overseas, and purchase of household items. See 5 U.S.C. § 5927 and DoDI 1400.25, V1250. For additional information pertaining to advances of LQA and TQSA, see subparagraphs 030402.A.

A. Eligibility. For purposes of this section, a DoD civilian employee is defined as a full-time DoD employee who is a U.S. citizen paid from appropriated, revolving, or trust funds. New hires that are in a pay status and traveling to a foreign area on travel orders are also included.

B. Foreign Areas. A foreign area is an area located outside the U.S., exclusive of the Commonwealth of Puerto Rico, territories of the U.S., and other areas designated by the Secretary of State.

C. Payment Procedures. Advances of pay for overseas transfers will be paid only by the disbursing officer (or the disbursing officer’s overseas agent) who supports the PRO servicing the overseas area, or Outside the Continental U.S. (OCONUS) from a disbursing officer who is a deputy to the Continental U.S. (CONUS) office. Payment may be included in the next regular biweekly pay or made in a single lump-sum. An employee may request an advance of pay 3 weeks before the estimated departure date for an assignment to a foreign duty post or up to 2 months after arrival. The employee must request an advance on the SF 1190 for employees proceeding to or arriving at a post of assignment in a foreign area. The form serves as the request, authorization, and voucher document.

D. HRO Duties. The HRO responsible for the employee must verify the eligibility for an advance by confirming the travel orders and the appropriate pay grade and step at the foreign post. If the HRO does not provide confirmation of the foreign pay grade or step, the PRO may use the current gross pay at the time of the advance. The HRO counsels each employee
eligible for an advance concerning authorized purposes of the advance, repayment requirements, anticipated expenses at the foreign assignment, and application procedures.

030902. Advance Payments to Evacuees

Guidance on advance payments for DoD civilians ordered to evacuate can be found in 5 U.S.C. § 5522, 5 C.F.R. 550.403, 5 C.F.R. 550.404. For more information concerning emergency evacuation, see Chapter 6.

030903. Collection of Advance Payments

A. The PRO collects repayment by payroll deduction over a maximum of 26 pay periods. Deductions must begin the first pay period after receipt of the advance or following arrival at the foreign post, whichever is later. The losing agency must forward a copy of the SF 1190 to the gaining PRO for collection.

B. Partial or lump-sum repayments, in addition to payroll deductions, may be accepted.

C. When an employee separates or transfers, the outstanding balance is due in full. Advances of pay are recoverable from the employee or the employee’s estate by deduction from accrued pay, amount of retirement credit, other amounts due the employee from the Government, or by other methods as provided by 5 U.S.C. § 5514 and 31 U.S.C. § 3716 and corresponding regulations.

D. The Defense Debt and Claims Management Office (DCMO), DFAS-Indianapolis Center, may waive, in certain cases, the Government’s right of recovery of an erroneous pay advance in accordance with the requirements in the DoDI 1340.23, Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances and 5 U.S.C. § 5584.

030904. Other Requirements or Conditions for Advances

A. An employee is authorized only one outstanding advance at a time, regardless of the frequency of PCS. If an employee becomes eligible for a second advance, the employee must liquidate the first advance before the employee requests the first payment of the second advance.

B. More than one member of a household may be eligible for an advance.

C. Allotments and assignments of advances are not authorized.

D. Advances are paid to employees of another Federal agency on a reimbursable basis provided there is an agreement between the other agency and DFAS to make similar payments to DoD employees.

E. Submission of statements and documents from the employee establishing the need for, and the use of, an advance may be required.
F. Management must develop controls to ensure only authorized employees obtain an advance and that complete accountability procedures exist for the disbursement and collection of pay advances. Accounting records must include current, accurate, and complete records of obligations, receivables, and collections.

030905. Additional Advance Payments

Agencies may authorize an additional advance payment when circumstances warrant and the employee has not received the full amount of the maximum possible advance consistent with the employee’s pay grade. Examples of exceptional circumstances warranting a second payment include: a substantial understatement of the maximum advance authorized; inadequate or inappropriate counseling on the purpose of the advance; and unforeseeable events leading to a significant increase in the cash outlay requirements of an employee at the foreign assignment location.

*030906. Advances in Pay for Newly Hired Employees

The head of agency has the authority to provide for the advance payment of basic pay to an employee who is newly appointed to a position in the agency. See 5 C.F.R. 550.203. The authority to advance pay is delegated to officials who exercise personnel appointing authority (normally the head of an installation or activity). This authority is delegated through and subject to the authority of the DoD Component heads to be used on a case-by-case basis. See DoDI 1400.25, V550.

0310 SPECIAL PAYMENTS

Special salary payments (e.g., beneficiary payments, employees erroneously omitted from the payroll) are made in accordance with Chapter 8.

0311 AWARDS

*031101. General

Title 5 U.S.C. Chapter 45 is the legal basis for the government wide incentive awards program for civilian employees. OPM regulations regarding agency award programs are published at 5 C.F.R. Part 451. The DoDI 1400.25, V451 prescribes award policies governing the award program for DoD civilian employees.

A. Incentive Awards. DoDI 1400.25 delegates to the heads of the DoD Components the authority to pay cash awards, grant time off as an award, and incur the necessary expense for the honorary recognition of an employee (either as an individual or as a member of a group) based on:
1. Suggestions, inventions, superior accomplishments, productivity gains, or other personal efforts that contribute to the efficiency, economy, or other improvements of Government operations;

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

3. Performance as reflected in the employee’s most recent record of rating.


1. An employee must use the time off granted as an incentive award within 1 year from the effective date. Supervisors and employees are responsible for scheduling the use of this leave within 1 year. If an employee does not use the time-off award within the one-year timeframe, the employee will forfeit the incentive leave. There is no provision for restoring time-off awards.

2. Provisions should be made to accommodate employees who are on long term training, extended sick leave, called to active duty, or similar situations so that the employee does not forfeit his or her time-off award. Agencies may approve sick leave if an employee is unable to perform duty during a period of time off.

3. The maximum amount of time off granted to any one individual for a single achievement should not exceed 40 hours. The maximum amount of time off granted to any one individual within one leave year should not exceed 80 hours. Agencies may grant part-time employees or those with uncommon tours of duty a maximum of one-half the average number of hours in their biweekly tour of duty for a single achievement. The maximum amount of time off which can be granted to part-time employees and employees with uncommon tours of duty during any one leave year is the average number of hours of work in the employee’s biweekly scheduled tour of duty.

4. A time-off award cannot be transferred between DoD Components or outside of the DoD. Managers and supervisors should make every effort to ensure that the employee is able to use the time-off award before he or she leaves the granting Component. DoD Components may establish procedures to accommodate the transfer of time-off awards within their respective Components. Time-off awards cannot be converted to a cash award under any circumstances. Unused time-off awards will be lost when an employee separates or transfers to another agency or component. See 5 C.F.R. 451.104(f) and DoD 1400.25, V451.

5. Awards are processed on an SF 50 and issued by the HRO to the PRO as authorization for payment of cash awards or granting of time-off awards. The award is paid to the employees in the same manner as their net pay. Incentive award payments are not distributed to the worksite.
6. Time-off awards must be posted to the employee’s record and reduced when the time-off is taken and/or forfeited. Usage reported prior to the receipt of notification of the award shall be reflected as a negative balance in the civilian payroll system. Failure of HRO to provide notification of the granting of the award within two pay periods of the usage shall be assumed to be a time-and-attendance error.

C. **Foreign Language Awards.** An agency may pay a cash award, up to 5 percent of basic pay, to any law enforcement officer employed in or under such agency that possesses and makes substantial use of one or more foreign languages in the performance of official duties. Additional information is in 5 U.S.C Chapter 45, Subchapter III.

D. **Presidential Rank Awards for SES Employees.** The President may award the rank of Distinguished Executive and Meritorious Executive Service to an SES career appointee in accordance with the guidance in 5 U.S.C. § 4507 and 5 C.F.R. 451.301. To be eligible for a rank award, an SES must:

1. Hold a career appointment as defined by 5 U.S.C. § 3132(a)(4),

2. Be an employee of the agency, as defined at 5 U.S.C. § 3132(a)(1), and

3. Have at least 3 years of career or career-type Federal civilian service at the SES level.

E. **Presidential Rank Awards for Senior Career Employees.** The President may award the rank of Distinguished Senior Professional and Meritorious Senior Professional to a senior career employee as set forth in 5 U.S.C. § 4507a and 5 C.F.R. 451.302. To be eligible for a rank award, a senior career employee must:

1. Hold a career appointment in a SL or ST position as defined by 5 C.F.R. 319, Subpart A and paid under 5 U.S.C. § 5376 on the nomination deadline,

2. Be employed by the agency on the nomination deadline, and

3. Have at least 3 years of career or career-type Federal civilian service above a GS-15 level.

F. **Referral Bonus Awards.** A referral bonus award was established for agency heads to authorize award payments to employees, as defined by 5 U.S.C. § 2105, for referring new employees who are subsequently selected and employed in hard-to-fill positions in accordance with 5 U.S.C. § 4503 and 5 C.F.R. 451. Referral bonus awards are granted at management’s discretion and are not considered an entitlement.
031102. Payment of Awards

A. Cash Awards. Cash award payments are subject to the withholding provisions of Federal, state, and local income tax laws. The payroll system will deduct 25 percent Federal tax automatically on special earnings of this nature. The PRO computes the applicable state and local tax and OASDI and/or Medicare withholding based on tax information in the employee’s current master record. The PRO will not withhold state and local taxes for employees assigned to overseas duty locations unless requested by the employee.

B. Payment of Awards to Separated Employees

1. When possible, the agency must reestablish the employee on the payroll using the last known information on the employee’s master account record for applicable deductions and mailing address.

2. If an agency cannot reestablish the employee on the payroll, the agency must pay the employee using an SF 1034, Public Voucher for Purchases and Services Other Than Personal.

C. Reporting Awards. Cash award payments must be included on an employee’s LES as well as the Form W-2.
VOLUME 8, CHAPTER 4: “MANDATORY DEDUCTIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated September 2012 is archived.

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CHAPTER 4

MANDATORY DEDUCTIONS

0401 GENERAL

040101. General

Mandatory deductions are required by law, regulation, or by court order and include Federal or state income tax, Old-Age, Survivors and Disability Insurance (OASDI), Medicare, and child support. Voluntary deductions are implemented at the employee’s request and require written authorization from the employee prior to withholding the deduction. Voluntary deductions include health and life insurance premiums, flexible spending account program contributions, and Thrift Savings Plan (TSP) contributions. See Chapter 11 for information on voluntary deductions and allotments.

040102. Mandatory Deductions

Mandatory payroll deductions withheld from a Department of Defense (DoD) employee’s pay must:

A. Contain sufficient information to properly establish the deduction,

B. Be adequately documented and certified,

C. Be paid to the appropriate recipient in the correct amount, and

D. Be based on a particular provision of law or court order.

040103. Deduction Authorizations

Deduction authorizations must be retained in the Civilian Payroll Office (PRO), with the Customer Service Representative (CSR), or retained at a designated storage site in accordance with General Records Schedule 2.

0402 ORDER OF PRECEDENCE

040201. Deductions

The Office of Personnel Management (OPM) issued policy guidance to standardize the order of precedence for processing mandatory and voluntary deductions when gross pay is not sufficient to permit all deductions. See OPM Memorandum "PPM-2008-01; Order of Precedence When Gross Pay Is Not Sufficient To Permit All Deductions” (July 30, 2008).
A. When Gross Pay is not Sufficient. If a DoD employee’s gross pay is not sufficient to permit all required deductions, the order of precedence under which deductions must be withheld is as indicated in the following list.

1. Retirement Deductions
   a. Civil Service Retirement System (CSRS)
   b. Federal Employees Retirement System (FERS)
   c. Civil Service Retirement System - Offset (CSRS-Offset)
   d. Title 32 National Guard
   e. Nonappropriated Fund Instrumentality (NAFI) Employee Retirement Contributions

2. OASDI (Social Security) taxes collected under the authority of the Federal Insurance Contribution Act (FICA)

3. Medicare Tax

4. Federal Income Tax

5. Health Insurance Premiums (may be pre-tax)

6. Basic Group Life Insurance Premiums
   a. Federal Employees Group Life Insurance (FEGLI)
   b. State Life Insurance Premiums

7. State Income Tax

8. Local Income Tax

9. Collection of Debts Owed to the United States (U.S.)
   a. Continuous Levy under the Federal Payment Levy Program (tax debt)
   b. Salary Offsets

10. Court-Ordered Collection/Debt
    a. Child Support
b. Alimony

c. Bankruptcy

d. Commercial Garnishments

11. Optional Benefits (see Chapter 11)

a. Health Care/Limited-Expense Health Care Flexible Spending Accounts (pre-tax benefit under Federal Flexible Benefits Plan or cafeteria plan)

b. Dental (pre-tax)

c. Vision (pre-tax)

d. Health Savings Account (pre-tax)

e. Optional Life Insurance Premiums

f. Long-Term Care Insurance Premiums

g. Dependent Care Flexible Spending Accounts (pre-tax)

h. TSP

(1) Loan Payments

(2) Basic Contributions (pre-tax)

(3) Catch-up Contributions (pre-tax)

i. Other Optional Benefits

12. Other Voluntary Deductions/Allotments

a. Military Service Deposits

b. Professional Associations

c. Union Dues

d. Charities

e. Bonds
f. Personal Account Allotments (to savings or checking accounts)
g. Additional Voluntary Deductions (on first-come, first-served basis)

13. Internal Revenue Service (IRS) Paper Levies

B. Priority of Deductions vs. Net Pay Exclusions. The order of precedence is used to determine which authorized deductions from the employee’s pay will be applied first in the event that the gross pay is not sufficient to cover all deductions. This issue is separate from determining the net amount of an employee’s pay subject to a particular deduction. Pay applied toward certain other deductions may be excluded in determining the net amount of pay for which a given deduction is made; however, that does not necessarily mean that any of the other deductions listed are applied first. For example:

1. Federal income tax deductions are deducted from the net amount of pay subject to Federal income taxes (taxable pay). An employee’s deduction for TSP contributions is pre-tax, meaning the contribution is excluded from the net amount of taxable pay. However, the TSP deduction is lower in the order of precedence than Federal income taxes.

2. Court-ordered alimony payments are deducted from the net amount of pay subject to garnishment (garnishable pay). An employee’s TSP deduction is excluded from the net amount of garnishable pay (Title 5 Code of Federal Regulations, (C.F.R.) 581.105(e)). However, the TSP deduction is lower in the order of precedence than the alimony garnishment.

040202. Available Pay

An employee's available gross pay is reduced by the amount of each deduction withheld in the specific order of precedence listed in paragraph 040201. After an authorized deduction is withheld, if an employee’s remaining pay is not sufficient to allow for the deduction next in the order of precedence to be withheld in its entirety, the following applies:

A. Mandatory Deduction. If the deduction next in the order of precedence is a mandatory deduction, the PRO will use the remaining available pay to make a partial deduction. When this situation occurs, the employee’s net pay will be zero.

B. Voluntary Deduction. If the deduction next in the order of precedence is a voluntary deduction, the PRO will not make the next voluntary deduction or any other deductions thereafter. The employee’s remaining available pay should be paid to the employee as net pay.

0403 RETIREMENT DEDUCTIONS

*040301. CSRS, CSRS-Offset, and FERS Administration and Recordkeeping
A. General. The CSRS and FERS Handbook for Personnel and Payroll Offices (CSRS and FERS Handbook) contains the instructions necessary for the PRO to report:

1. The withholding of mandatory deductions from employees enrolled in the CSRS; and

* 2. The basic retirement benefits under FERS. Employees under the FERS program were hired after January 1, 1987. Employees who were hired from January 1, 2013, through December 31, 2013, are FERS Revised Annuity Employees (FERS-RAE). See 5 U.S.C. 8401 (37). Employees hired on or after January 1, 2014, are FERS Further Revised Annuity Employees (FERS-FRAE). See 5 U.S.C. 8401 (38).

B. Coverage. For employees subject to retirement deductions, the Standard Form (SF) 50, Notification of Personnel Action, will reflect the correct retirement system for each employee. See Table 4-1 for pay subject to retirement deductions. For current deduction rates and employer contributions, refer to the OPM website.

C. Responsibilities. The PRO must fulfill the general responsibilities relating to CSRS, CSRS-Offset and FERS retirement contributions as listed in the CSRS and FERS Handbook Chapter 1, Section 1C3.1-D.

D. Communication with OPM. Forward records of separated employees to OPM Retirement Operations Center, Boyers, PA, as follows:

1. Office of Personnel Management
   CSRS Retirement Records
   P.O. Box 45
   Boyers, PA 16017

2. Office of Personnel Management
   FERS Retirement Records
   P.O. Box 200
   Boyers, PA 16017

E. Maintaining the Individual Retirement Record (IRR) SF 2806/3100

1. General. The PRO will maintain the IRR for each employee subject to CSRS, CSRS-Offset or FERS according to the CSRS and FERS Handbook at Chapter 81, part 81A2. Because the IRR is used by OPM to adjudicate the retirement rights of separated employees or their survivors, it is important that each IRR be complete, correct, clear in every detail, and properly certified. Timely and accurate maintenance of each IRR will expedite closeout when an employee is separated or transferred to the paying jurisdiction of another agency.

2. Required Information. Certain information is required to be posted on the IRR for all employees. There are additional requirements for law enforcement officers, firefighters, foreign nationals, customs officers, and employees who have any periods of active duty
service. All data should be obtained from the SF 50 and posted to the IRR as it occurs. The OPM Operating Manual, The Guide to Personnel Data Standards includes the standard abbreviations and remarks required for completing the IRR. Examples of how to post the service history are located in the CSRS/FERS Handbook at Chapter 81, Section 81A2.2-2. IRRs should be reviewed to ensure that the service history is complete and that accurate dates and types of appointments are reflected for each period of service.

a. Sick Leave. When an employee dies, retires, converts to FERS with a CSRS annuity component, has an uncommon tour of duty or applies for disability retirement, the amount of unused sick leave must be recorded on the IRR. An employee who has had a break-in-service is entitled to a recredit of sick leave (without regard to the date of his or her separation) if he or she returns to Federal employment on or after December 2, 1994. However, sick leave may not be recredited to employees who were reemployed in the Federal Service before December 2, 1994, and who previously forfeited sick leave under the former rules. See 5 C.F.R. 630.502(b). For further information, see examples in the CSRS and FERS Handbook at Chapter 81, subchapter 81A2.3-1.

b. Health Benefits Data. IRRs sent to OPM for regular retirement, disability retirement, or deceased employees must be annotated with the status of health benefits. Examples are shown in the CSRS and FERS Handbook at Chapter 81, subchapter 81B.

c. FEGLI. FEGLI must be shown on the IRR as specified in the CSRS and FERS Handbook. For further information see the FEGLI Program Handbook.

3. Closing Out the IRR. Information on the closing out, certification and forwarding to OPM of an employee’s separation can be found in the CSRS and FERS Handbook at Chapter 81, Section 81A2.2-4.

a. Employee Death. When the PRO receives notification of an employee’s death, the PRO must send the IRR to OPM within 5 days of the date the final pay is computed. The deceased employee's records and associated applications must be received by OPM within 30 days of the date of death. For information on retirement deductions and matching agency contributions in final pay, see CSRS and FERS Handbook at Chapter 80.

b. Separation and Application for Refund of Retirement. A refund is the lump-sum payment to a former employee, or an employee who is no longer covered by CSRS or FERS, of the amount of his or her retirement contributions. An individual seeking a refund must meet certain eligibility requirements. The PRO is responsible for sending the employee’s IRR to OPM with the employee’s refund application (SF 2802 Application for Refund of Retirement Deductions CSRS) or SF 3106 (Application for Refund of Retirement Deductions FERS). See CSRS and FERS Handbook at Chapter 32, subchapter 32A (CSRS) and 32B (FERS). A refund payment may include any of the following:

(1) Retirement contributions deducted from basic pay, including CSRS-Offset contributions for employees covered under CSRS-Offset, or FERS basic annuity deductions from pay;
(2) Deposits and/or redeposits;
(3) Military service credit deposits;
(4) Voluntary contributions; or
(5) Interest payable under law.

c. Disability Retirement Separations. Disability cases require different close out procedures due to the approval or denial of the application submitted by the employee for disability retirement. Agencies must execute both a preliminary and final IRR. Information. Examples on closing out an IRR for disability retirement are located in the CSRS and FERS Handbook at Chapter 81, subchapter 81A.2.3-2.

d. Nondisability Retirement Separations. When a separation occurs for reasons other than a disability retirement, the PRO must close out, certify, and forward the IRR to the address annotated in subparagraph 040301.D. Information and examples on the process required to close out an IRR are located in the CSRS and FERS Handbook at Chapter 81, Section 81A.2.3-1.

e. Service Credit Deposits for Post-1956 Military Service. Preparation of the IRR for deposits of creditable post-1956 military service is discussed in the CSRS and FERS Handbook at Chapter 23. For additional information, see Chapter 11.

F. Storing, Safeguarding and Disposing of the IRR

1. IRRs not maintained in a mechanized manner must be stored in a lockable metal file cabinet or in a secured facility with limited access provided only to employees whose official duties require access. Manually maintained IRRs must be electronically stored after being manually posted, and must be stored separately from the record itself, in accordance with the OPM requirements.

2. Records of a claim for retirement, life insurance, health benefits, and tax withholdings are maintained permanently in paper and/or electronic imaged format. Medical records used to determine suitability are maintained for 18 months. Requests for review of health benefits claims should be maintained for up to 3 years.

3. Manual records should be disposed of by shredding.

G. Register of Separations and Transfers (SF 2807/SF 3103)

1. **SF 2807** (CSRS) and **SF 3103** (FERS), Register of Separations and Transfers, serve to authenticate the IRR for transmittal to other PROs and to OPM. Together with other fiscal and accounting data available to OPM, the SF 2807/SF 3103 is an essential document controlling retirement monies. For information on how to prepare and maintain the SF 2807/3103, see the CSRS and FERS Handbook at Chapter 81, part 81A3.
2. More than one IRR may be submitted with each SF 2807/3103. However, the transmittal of completed retirement records should not be delayed while other IRRs are being prepared for forwarding to OPM.

H. Adjustments and Corrections. Adjustments and Corrections to the IRR should be made on the retirement record if the error is detected before the record is submitted to OPM. If the error is detected after the record is sent to OPM, prepare an SF 2806-1 (CSRS) or SF 3101 (FERS), Notice of Correction of Individual Retirement Record. See CSRS and FERS Handbook at Chapter 81, part 81A2.3-3.

1. Current Employees
   a. Overdeduction. If an overdeduction was made for retirement from the pay of a current employee, the PRO must make an adjustment during the next payroll cycle. The PRO must decrease the current retirement deductions from the employee's current pay period earnings, and make a corresponding adjustment in the employer's contributions.

   b. Underdeduction. If an underdeduction occurred, or if deductions were not made for a period when an employee was covered by CSRS/FERS, then that employee must be afforded due process rights before being requested to repay the overpayment. If deductions were made for a nonappropriated fund (NAF) retirement plan when deductions are required for CSRS/FERS, then the PRO must adjust the NAF retirement deductions and contributions and the Social Security deductions and contributions in the next pay period. These amounts should then be offset against the amounts that should have been submitted for CSRS/FERS to determine the net amount that must be withheld from the employee's current period pay.

2. Separated Employees
   a. Overdeduction
      (1) When excess retirement amounts have been deducted from a former employee's pay and the IRR SF 2806 (CSRS)/3100 (FERS) has not yet been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the accumulated deductions posted on the SF 2806/3100 prior to forwarding to OPM.

      (2) If an overdeduction for retirement is found after the IRR SF 2806/3100 was sent to OPM, the PRO must prepare an SF 2806-1 or an SF 3101 and submit the form to OPM.

      (3) If an overdeduction from a former employee's pay results in excess employer contributions for retirement, the PRO must deduct the amount of the excess from the next pay period's submission of the Retirement and Insurance Transfer System (RITS) file.
b. **Underdeduction**

   (1) When an insufficient amount for retirement has been deducted from a former employee's pay and the SF 2806/3100 has not yet been submitted to OPM, the PRO must note the amount of the deficiency on the SF 2806/3100. If the SF 2806/3100 has been submitted, then another SF 2806/3100 must be prepared and annotated "Supplemental" in the upper left margin.

   (2) When an underdeduction from a former employee's pay results in insufficient employer retirement benefits contributions, the insufficient amount will normally be included in the RITS file for the next pay period.

3. **Transferred Employees**

   a. **Overdeduction**

      (1) When excess retirement amounts have been deducted from a transferred employee's pay and the SF 2806/3100 has not been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the total accumulative deductions posted on the SF 2806/3100 prior to forwarding.

      (2) If the overdeduction for retirement is found after the SF 2806 was forwarded to another PRO within the Department, an SF 2806-1 must be prepared and submitted to the gaining PRO.

      (3) When an overdeduction from a transferred employee's pay results in excess employer retirement contributions, the PRO must deduct the amount of excess employer contributions from the RITS file for the next pay period.

   b. **Underdeduction**. When an insufficient retirement amount has been deducted from a former employee's pay and the SF 2806 has not yet been forwarded to another PRO within the same Component, the losing PRO must note the amount of underdeductions on the SF 2806. The losing PRO must prepare and forward a supplemental SF 2806 to the gaining PRO, if the SF 2806 has previously been submitted.

   c. **Service History Corrections**. The PRO must correct the “Service History” portion of the SF 2806 if the error is detected before the record is sent to another PRO within the same Component. If the error is detected after the record is submitted, the losing PRO must prepare and submit an SF 2806-1 to the gaining PRO.

4. **Retroactive Payments**

   a. The PRO must report CSRS/FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100, and forwarding it to OPM using an SF 2807/3103.
b. For a current employee, the PRO must include CSRS/FERS deductions withheld from a retroactive salary payment in the current year salary deduction on the SF 2806/3100 being maintained for the employee.

c. A losing PRO must report CSRS/FERS deductions withheld from a retroactive salary payment for an employee transferred to another PRO within the same Component by preparing a supplemental SF 2806/3100. The losing PRO must send the SF 2806 to the gaining PRO using an SF 2807. The losing PRO must send the SF 3100 to OPM using an SF 3103.

I. Availability of Retirement Funds for Loans, Garnishments, and Indebtedness

1. Loans and Garnishments. See CSRS and FERS Handbook, Chapter 5. An employee cannot borrow from the retirement fund or use money credited to his or her account as security for a loan or any other purpose. Additionally, an employee's retirement account is not subject to the execution of levies, attachments, garnishments, or other legal processes except as follows:

   a. OPM will comply with a garnishment or attachment order issued to enforce child support or alimony obligation.

   b. OPM will comply with the assignment of retirement benefits in a qualifying state court order, decree, or community property settlement agreement in connection with a divorce, annulment of marriage, or legal separation of a Federal employee or retiree.

2. Indebtedness. The PRO may request OPM use administrative offset to collect a debt owed to the U.S. by use of administrative offset against any money due and payable to a separated employee from his or her CSRS or FERS benefits. See Chapter 8 for recovering debts from retirement funds. The PRO must ensure the former employee has been given due process rights as specified in Chapter 8. See also CSRS and FERS Handbook at Chapters 4 and 5.

J. Submission of Deductions and Contributions. Employee deductions and employer contributions for CSRS and FERS must be reported separately to OPM each pay period. PROs reporting to OPM via the RITS must report deductions and contributions using procedures described in Chapter 9. Employer contributions must be charged to the appropriation(s) from which the employee's salary is paid. See CSRS and FERS Handbook at Chapter 80.

*040302. State Retirement Programs for National Guard Technicians

Effective January 1, 1969, pursuant to 32 U.S.C. 709, all National Guard Technicians appointed in a position not excluded from coverage are considered Federal employees who are automatically covered by CSRS or FERS. However, technicians that were employed on December 31, 1968, had the option of irrevocably electing to remain covered by a state retirement system. The DoD negotiated agreements with states for Federal employee contributions to a state or state-sponsored contributory retirement program. For further information, see
CSRS and FERS Handbook at Chapter 12. Historical information on contribution agreements for state retirement programs may be found in archived versions of this chapter.

040303. DoD Employees Covered By Retirement Systems for Nonappropriated Fund Instrumentalities

A. General. NAF employees are Federal employees within DoD. However, NAF employees are not subject to many of the personnel laws administered by OPM for appropriated fund (APF) employees. The status of NAF employees is explained at 5 U.S.C. 2105(c). NAF employee retirement benefits are not subject to the same requirements as that of civil service positions. Each NAF employer administers its own retirement program pursuant to DoD Instruction (DoDI) 1400.25-V1408, DoD Civilian Personnel Management System, Volume 1408, Insurance and Annuities for NAF Employees.

B. Portability. If a NAF employee moves to an APF position, unless specifically provided by law, the employee’s NAF service is not creditable for civil service benefits. Likewise, service in an APF position is not creditable for NAF benefits. Laws and regulations regarding service credit and portability of benefits for employees who move between NAF and APF positions are discussed in this section and in the reference guide entitled, “Portability of Benefits for Moves Between Civil Service and Nonappropriated Fund Employment Systems” published by the DoD Civilian Personnel Management Service (CPMS). See also 5 C.F.R. Part 847 and 5 C.F.R. Part 1620, subpart D.

C. DoD Components that offer NAF Retirement Plans. The following DoD Components offer NAF retirement plans for eligible DoD NAF employees:

1. Department of the Army,
2. Department of the Air Force,
3. U. S. Marine Corps,
4. Bureau of Naval Personnel,
5. Navy Exchange Service Command,
6. Army and Air Force Exchange Service, and
7. Coast Guard.

D. History of Public Laws Relating to Portability of Retirement Benefits for NAF Employees.

1. NAFI Employee’s Retirement Credit Act of 1986, Public Law (P. L.) 99-638, (5 U.S.C. 8332). The Act was the first to permit CSRS credit for former NAF service. The law required that NAF service be provided in certain morale, welfare, and recreation (MWR)
positions after June 18, 1952, and before January 1, 1966. Covered employees were primarily Army NAF employees in recreation, youth activities, or arts and crafts positions which were not covered with a NAF retirement system.

2. The Portability of Benefits for NAF Employees Act of 1990, P. L. 101-508, Section 7202, (5 U.S.C. 8332). The law provides pay and benefit portability for employees who move between NAF and APF positions. The law covers moves between DoD NAF and DoD APF positions made on or after January 1, 1987. An employee who moves with a break-in-service of no more than 3 days between such positions may be eligible for pay, leave, reduction-in-force, and retirement benefit protection. An employee who moves between positions may remain in his or her civil service or NAF retirement plan, if vested.

3. Fiscal Year 1996 National Defense Authorization Act, P. L. 104-106, Section 1043, (5 U.S.C. 8332). The law further expanded portability, primarily in the area of retirement coverage. Retirement election provisions were expanded to include moves to APF positions outside of DoD and to cover moves on or after August 10, 1996, with a break-in-service of not more than 1 year. Employees must be vested in the losing employment system’s retirement plan in order to elect to retain coverage. The law provided eligible FERS or NAF employees the opportunity to combine FERS and NAF service credit retroactively if the move occurred on or after January 1, 1966, but before August 10, 1996, with an election deadline of August 11, 1997. Waivers of this deadline are authorized for employees who did not receive notice and counseling from their Human Resources Office (HRO).

4. Fiscal Year 2002 National Defense Authorization Act, P. L. 107-107, Sections 1131 and 1132, (5 U.S.C. 8332). The law further expanded the retirement election opportunity making it easier for employees who have performed service with a DoD or Coast Guard NAFI to continue retirement coverage after moving between NAF and APF positions. Section 1131 permits employees moving between NAF and APF positions on or after December 28, 2001, to continue coverage in the retirement plan under which they were covered immediately before the move, even if they were not vested in that retirement plan. Employee moves between retirement covered positions must not involve a break of more than 1 year. Additionally, section 1132 permits employees in CSRS and FERS to use prior NAF service to qualify for an immediate retirement on or after December 28, 2001. Credit for NAF service under section 1132 will not result in higher CSRS or FERS annuity benefits.

E. Elections to Continue Retirement Coverage After a Qualifying Move from a NAF Position. In accordance with 5 C.F.R. 847.202, NAF employees must meet the requirements of a qualifying move in order to be eligible to retain NAF retirement coverage after moving to a civil position covered by CSRS or FERS. A qualifying move for the following specified time periods is defined as follows:

1. Qualifying Move Between January 1, 1987, and August 9, 1996. A qualifying move occurring between January 1, 1987, and August 9, 1996, that would allow a NAF employee the opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:
a. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage,

b. Employee must have been a vested participant in the NAF retirement system prior to the move to the civil service,

c. Employee must have moved from an NAF to a CSRS or FERS covered position within DoD or the U.S. Coast Guard, and

d. Employee must be appointed to a CSRS or FERS covered position no later than 4 days after separation from retirement covered NAF employment.

2. Qualifying Move between August 10, 1996, and December 28, 2001. A qualifying move occurring on or after August 10, 1996, and before December 28, 2001, that would allow a NAF employee an opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:

a. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage,

b. Employee must have been a vested participant in the NAF retirement system prior to the move to a CSRS or FERS covered position,

c. Employee must have moved from a NAF to a civil service position subject to CSRS or FERS coverage, and

d. Employee must be appointed to a CSRS or FERS covered position no later than 1 year after separation from retirement covered NAF employment.

3. Qualifying Move after December 28, 2001. A qualifying move occurring on or after December 28, 2001, that would allow a NAF employee an opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:

a. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage,

b. Employee must have moved from a NAF to a civil service position subject to CSRS or FERS coverage, and

c. Employee must be appointed to a CSRS or FERS covered position no later than 1 year after separation from retirement covered NAF employment.

F. Electing NAF Retirement System Coverage after a Qualifying Move
1. Employees who elect to retain coverage under a NAF retirement system will have their SF 50 annotated as "5-Other" for the retirement code. The SF 50 will state that the employee has elected to retain coverage under a NAF retirement system.

2. Employees who elect to remain covered by a NAF retirement plan are excluded from coverage under CSRS or FERS during that and all subsequent periods of employment, including periods of service as a reemployed annuitant.

3. Employee retirement deductions, employer contributions, employee contributions to applicable 401(k) plans, and loan repayments will be made biweekly and submitted to the appropriate NAF employee benefit system. FICA must be withheld and reported in accordance with current guidance from the Department of the Treasury.

4. Employees who elect to retain coverage under a NAF retirement system are eligible to contribute to the applicable NAF 401(k) plan, but are not eligible to participate in TSP.

5. Employees who elect to retain NAF retirement coverage will continue to be covered with the NAF retirement plan in effect at the time of election.

040304. Uniformed Services University of the Health Sciences (USUHS) Faculty Retirement

A. The USUHS has established a policy on granting of retirement benefits for faculty and staff who are covered under the Administratively Determined (AD) pay plan. See 10 U.S.C. 2113 and USUHS Instruction 1418, Civilian Faculty Benefits Plan. All full-time civilian faculty members of the USUHS appointed to an AD position with an appointment of more than 1 year may elect coverage under one the following plan options:

1. Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). This is a tax-deferred retirement plan offering both fixed and variable annuity distributions which allows employees to enroll in any of 10 available funds. Amounts collected should be remitted to TIAA-CREF, 8500 Andrew Carnegie Blvd, Charlotte, NC 28626. Any offline collections will be deposited into and disbursed from deposit fund –X6875 and remitted to this same address. Additional information on TIAA-CREF may be found at the TIAA-CREF website.

2. Fidelity Investments. This is a tax-deferred investment program through which the employee may enroll in any of 120 available funds. Amounts collected should be sent to Fidelity Retirement Services, P. O. Box 770002, Cincinnati, OH 45277-0089.

B. A total of 15 percent of the employee's total salary will be contributed to either TIAA-CREF or Fidelity Investments. The employer (USUHS) will contribute 10 percent and the employee will contribute a mandatory 5 percent through payroll deduction.
C. Part-time AD employees, visiting employees who carry a J-1 visa, faculty whose titles have the prefix Visiting and Postdoctoral Fellows are not eligible to participate in TIAA-CREF or Fidelity Investments.

0404 FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA) TAX

040401. Authority

The Federal Insurance Contributions Act provides for a Federal system of OASDI and hospital insurance. See Title 26 U.S.C., Subtitle C, Chapter 21. The OASDI program is financed by the Social Security tax, and the Hospital Insurance program is financed by the Medicare tax. Wages for covered employment are taxable regardless of the worker's age or whether the worker is receiving Social Security or Medicare benefits. Employers must match the taxes withheld from employee wages. The term FICA applies to the combined amount of the deductions withheld for both Social Security and Medicare. However, each of the taxes is reported separately. For purposes of this guidance, taxes withheld under FICA will be referred to separately as Social Security tax and Medicare tax. The guidance applies to both Social Security and Medicare withholding. For additional information, see the Social Security Handbook.

A. Coverage. Federal employees are generally subject to both Social Security and Medicare tax withholding, but some employees are subject to only Medicare tax. Prior to 1984, most Federal civilian employment was exempt from Social Security coverage. However, for Federal employees hired on or after January 1, 1984, most services are covered by Social Security. Whether an employee is covered under Social Security is based on the type of appointment and is determined by the HRO and reflected on the SF 50. Federal employees became subject to Medicare withholding the first pay period in calendar year 1983. See Social Security Handbook at § 940. Social Security and/or Medicare taxes are withheld on the same wages, but only Social Security taxes have a wage base limit (i.e. the maximum wage amount subject to Social Security tax for the year). The deductions are shown separately on the IRS Form W-2 (Wage and Tax Statement). The Department is considered one employer for purposes of determining the maximum wages subject to Social Security and/or Medicare withholding. Employees who are exempt from the Social Security and/or Medicare withholding are:

1. Noncitizens employed outside the U.S., the U.S. Virgin Islands, and Puerto Rico;

2. Interns, (except medical and dental interns and residents), student nurses, and other student employees of Federal hospitals (26 U.S.C. 3121(b)(6));

3. Employees hired temporarily to handle fires, storms, earthquakes, floods, and other similar emergencies and disasters (26 U.S.C. 3121(b)(6));

4. If a civilian chaplain wants to be covered under Social Security and/or Medicare, he or she must apply as a self-employed person. If the order under which the chaplain belongs has elected its members to be covered by Social Security and/or Medicare, then the chaplain may also be covered by Social Security and/or Medicare;
5. Employees of instrumentalities of the U.S. Government that are specifically exempt from Social Security and/or Medicare by law (26 U.S.C. 3112); and

6. Title 32 National Guard technicians in Massachusetts and Nevada who elected to remain in the state employees retirement systems.

B. Transfers Between DoD Components. Beginning January 1, 1984, based on FICA, OPM directed that all newly hired Federal employees be subject to Social Security and Medicare withholding, as well as retirement deductions. If an employee transfers between DoD Components, then the gaining PRO must count those Social Security and/or Medicare taxes already deducted by the losing PRO in order not to exceed the maximum Social Security and/or Medicare tax liability due for that payroll year. When an employee transfers, the PRO must include Social Security and/or Medicare year-to-date wages, and Social Security and/or Medicare year-to-date taxes on the SF 1150, Record of Leave Data.

040402. Compensation Subject to Social Security and/or Medicare Taxes

A. Current Earnings and Allowances. For employees covered under FICA, compensation subject to Federal income tax (without regard to exemption status) is generally subject to Social Security and Medicare deductions (see Table 4-1). Employees covered under CSRS are subject only to Medicare withholding. The basis for Social Security and/or Medicare tax deductions is the employee's gross pay for each pay period.

B. Back Pay Awards. Employee and employer portions of Social Security and/or Medicare taxes computed for back pay awards must be calculated at the rate in effect at the time the payment of back pay is made.

040403. Tax Amounts

Social Security and Medicare taxes have different tax rate percentages, and Social Security is subject to a wage base limitation. Therefore, Social Security and/or Medicare taxes must be computed and reported separately.

A. Employee Deductions. For each pay period, deduct the appropriate Social Security and/or Medicare tax amount from the gross pay of each employee covered by Social Security and/or Medicare. With respect to the Social Security wage base limit, when the employee's earnings reach the applicable maximum limitation in a taxable year, discontinue the deductions for Social Security for the remainder of that tax year. Refer to IRS Publication 15, IRS Circular E, Employer's Tax Guide, for the yearly update. Maximum limitations for prior years are listed in Table 4-2 and Table 4-3.

B. Employer's Social Security and/or Medicare Tax. The U.S. Government must pay the employer's contribution equal to the same tax rate used for employees.

C. Official Social Security and Medicare Tax Tables. Tax tables are published in IRS Circular E.
040404. Voucher Entry

For each pay period, enter the employees' deductions and the employer's contributions for Social Security and/or Medicare taxes on the appropriate line of the Department of Defense (DD) Form 592, Payroll for Personal Services Certification and Summary. The employer's portion is charged to the same appropriation(s) as the employee's salary.

040405. Adjustments

Adjustments due to errors and cancellation of paychecks are outlined in Chapter 8, Section 0808.

040406. Panama Social Security System

All non-U.S. citizens employed by the Panama Canal Commission after September 30, 1979, were covered by the Panama Social Security System (Social Security Provisions of the Agreement in Implementation of Article III of the Panama Canal Treaty). The employee's withholding was 7.25 percent of salary, and the employer's contribution was 12.45 percent of salary. Non-U.S. citizens covered by CSRS prior to October 1, 1979, and who were employed by the Panama Canal Company or Canal Zone Government and were covered by CSRS, continued to be covered under CSRS until termination. Note: The Panama Canal Treaty of September 7, 1977, relinquished U.S. control over the Canal and transferred authority to the Panama Canal Authority on December 31, 1999. The guidance contained in this paragraph is retained strictly for historical purposes. For further information, see 22 U.S.C., Chapter 51.

0405 FEDERAL INCOME TAX WITHHOLDING (FITW)

040501. General

A. Withholding Authority for Federal Income Tax. The Internal Revenue Code at 26 U.S.C. 3402 requires each Federal agency withhold Federal income taxes from wages paid to employees. The current IRS Circular E summarizes the employer's responsibilities and contains rates and tables for withholding. Title 26, U.S.C. Section 3306 provides that services performed in the employ of the U.S. are exempt from the tax imposed under the Federal Unemployment Tax Act (FUTA).

B. Employer's Identification Number (EIN). An EIN is assigned by the appropriate District Director of the IRS to identify the tax accounts of employers. Only one identification number per PRO is authorized for use in reporting all Federal and Social Security and/or Medicare taxes. The PRO must collect Federal and Social Security and/or Medicare taxes from employee wages and report all taxes using IRS Form 941, Employer’s Quarterly Federal Tax Return. The current IRS Circular E should be consulted for guidance on withholding and reporting Federal income tax and Social Security and/or Medicare.
C. Method of Withholding. The two most common methods for withholding tax provided by the IRS are the percentage method and the wage-bracket method. Refer to IRS Circular E for information on these two methods.

040502. Form W-4, Employee’s Withholding Allowance Certificate

The PRO must use Form W-4 to support statutory deductions for Federal income taxes from each employee. The W-4 states the number of exemptions claimed or extra withholding authorized by the employee. IRS Forms W-4 may be obtained from the nearest HRO or CSR. An employee is also allowed to process tax changes through an automated computer program, such as myPay, by using a personal identification code.

A. Withholding Allowances. At the start of employment, an employee must complete a Form W-4 and any additional forms required for withholding state or local taxes. The employee's marital status and number of allowances claimed provide the basis to compute FITW. If an employee fails to submit a Form W-4, the PRO must assume the employee is single and has zero withholding allowances. Once filed, a Form W-4 remains in effect until the employee amends it or files a new withholding certificate.

1. Permissible allowances are described on the Form W-4. Determining the accuracy of the number of allowances claimed is not the responsibility of the PRO.

2. The number of allowances claimed on the IRS Form W-4 may be different from the number of exemptions claimed on the employee's tax return. Employees may use the worksheet on the Form W-4 to determine if they qualify for claiming extra allowances.

B. Additional Withholding. An employee may claim additional withholding allowances, as computed using the table on Form W-4. An employee who wants to increase the amount of tax withheld may reduce the number of exemptions to which the employee is entitled. If an increase in Federal tax withholding is desired, the employee may also specify a fixed dollar amount to be withheld in addition to the amount of withholding based on filing status and withholding allowances claimed on Form W-4. The amount of withholding remains in effect until changed by the employee.

C. Reporting Certain Forms W-4 to the IRS

1. Employers may be directed by a written notice from IRS to send certain Forms W-4 to the IRS for review. If the PRO receives a written notice, then the PRO will contact the CSR to obtain a copy of the requested Form W-4. The PRO will follow the guidance in the written notice for submitting the Form W-4 to the IRS.

2. If the IRS determines that an employee does not have enough withholding, then the IRS may send the PRO a letter commonly called a lock-in-letter. The lock-in-letter will specify the maximum number of withholding allowances permitted for the employee. The PRO must furnish a copy of this letter to the employee within 10 business days of receipt of the letter. The PRO will begin the withholding based on the date specified in the letter.
040503. Allowance Status Change

If an employee submits a new Form W-4, the PRO will change the withholding effective the next pay period. No retroactive adjustment is permitted if an employee claims the Form W-4 on file is erroneous and submits a corrected one.

040504. Compensation Subject to Income Tax

See Table 4-1 for taxability of particular types of compensation.

040505. Withholding Allowances

A. Exemption from Withholding. An employer is not required to deduct and withhold any Federal income tax from wages paid to an employee who has certified to the employer (as prescribed by IRS) that the employee incurred no income tax liability for the preceding year and that the employee expects no liability for the current year. The employee uses the Form W-4 to make this certification. The employee must file a Form W-4 each year by February 15 to claim exemption from withholding. If the employee fails to file the Form W-4 claiming exemption from withholding by February 15, the PRO will withhold tax as if the employee is single with zero withholding allowances. If the employee provides a new Form W-4 claiming exemption from withholding on February 16 or later, the PRO will apply it to future wages but will not refund any taxes already withheld.

B. Retained Copies of IRS Form 941 and Related Reports. As forms become superseded or obsolete, the PRO should remove them from the active file and place in an inactive file. Treasury Department forms (e.g., IRS Forms 941 or W-4) do not have to be sent to the IRS District Director. However, if requested, the PRO must show that the information is on file as a supporting record.

040506. Tax Tables and Tax Periods

Refer to IRS Circular E for the current tax tables or applicable payroll system tax package.

040507. Adjustments in Tax Withheld

A. Underwithheld Taxes. If the PRO does not withhold income, Social Security, or Medicare taxes, or if less than the correct amount is withheld from the employee’s wages, the adjustment to the employee’s pay may be made in a later pay period of the same calendar year. The underpayment must be paid to the IRS by the employer. Underwithheld income tax should be recovered from the employee on or before the last day of the calendar year that the tax was due. See Chapter 8 and IRS Publication 15, Circular E for information on collection of a prior year tax debts. Make no adjustment if the error occurred in a prior calendar year or the employee is no longer on the payroll.

B. Refunding Taxes Incorrectly Withheld. If more than the correct amount of income, Social Security, or Medicare tax is withheld from employee’s wages, the excess amount
must be refunded to the employee before the end of the 3-year statute of limitations that applies to tax refunds. For example, if excess Social Security taxes were withheld from an employee’s pay in calendar year 2011, the excess Social Security taxes could be refunded to the employee through April 15, 2014.

040508. Tax Payments - Payment of Withheld Tax

A. Tax Collection. All Federal income, Social Security, and Medicare taxes collected by the PRO are directly remitted to IRS through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a service offered by Treasury that allows an agency to electronically file and make payments for IRS Form 941 taxes each quarter.

B. Accounting. The PRO making the tax collection is responsible for preparing and issuing the Form W-2, Wage and Tax Statement, to the employee.

C. Disbursement. The disbursing office will disburse all taxes withheld based on the information provided by the PRO and the frequency of the payroll involved. The taxes are remitted for amounts withheld from wages for Federal income, Social Security and/or Medicare taxes, and employer's contributions for Social Security and/or Medicare via the EFTPS.

040509. Resident and Nonresident Aliens

A. Withholding Tax. Wages paid to both resident and nonresident aliens for services performed in the U.S. are subject to the withholding of Federal income tax. The same regulations, procedures, and rates that govern U.S. citizens apply to resident and nonresident aliens. Generally, resident aliens are taxed in the same manner as U.S. citizens. However, for nonresident aliens, employers may be instructed to withhold an additional amount from a nonresident alien’s wages. See IRS Circular E for any additional withholding adjustments.

B. Withholding Allowances and Exemptions. Resident aliens may claim the full number of withholding allowances to which they would be entitled if they were U.S. citizens. Generally, nonresident aliens may claim one withholding allowance on Form W-4. Nonresident aliens who are residents of Canada, Mexico or South Korea, or a student/business apprentice from India, or a U.S. National may be able to claim additional withholding allowances. See IRS Publication 519, U.S. Tax Guide for Aliens, for additional information. In general, Federal income taxes on the wages of nonresident alien employees must be withheld. However, see IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, for exemptions to wage withholding.

C. Payment of Taxes and Tax Return. Federal income and Social Security/Medicare taxes withheld for resident and nonresident aliens covered in this chapter will be included with the total tax deposit payment and reported on the IRS Form 941.
040510. Lump-Sum Leave Payment Refunds

A. General. When a separated employee who received a lump-sum payment for annual leave is reemployed in Federal service prior to the end of the period covered by the lump-sum payment, the employee must refund an amount equal to the pay covering the period between the date of reemployment and the expiration of the lump-sum period. See 5 U.S.C. 6306. Refer to Chapter 8, Section 0808 regarding procedures on corrections of overpayments and underpayments.

B. Preparing a Statement Regarding Refunded Lump-Sum Leave Payments. When the entire amount of the refunded lump-sum leave payment has been collected from the reemployed individual, the PRO must prepare a statement (a sample format is shown in Figure 4-1) to be distributed as follows:

1. Send the original to the employee, with one copy for each taxing authority for which tax has been withheld from the employee’s pay; and

2. Send one signed copy to the IRS, the state (if applicable), the city or county (if applicable), and any other authorized taxing authority.

040511. Advance Earned Income Credit (EIC)


0406 STATE INCOME TAX WITHHOLDING (SITW)

040601. General

Title 5, U.S.C. Section 5517 provides for the withholding of state and territorial income taxes from the compensation of Federal employees if an agreement has been entered into between the Secretary of the Treasury and the proper official of the state or territory. Agreements exist between the Secretary of the Treasury and many of the states for withholding income tax from the compensation of Federal employees whose regular place of employment is within the state. See Treasury Financial Manual (TFM), Volume 1, Part Three, Chapter 5000, Appendix 2 for additional information. If an agreement has not been reached between a state and the Secretary of Treasury, then the employee may elect to have discretionary withholding for a state.

A. Wages Subject to State Withholding. Wages and salaries subject to Federal income tax withholding are generally subject to state withholding. Cost-of-living allowances paid to employees in Hawaii are included as taxable income. Severance pay paid in accordance with 5 U.S.C. 5595 is included; however, state income tax should not be withheld from severance pay paid to the survivor of a deceased employee.

B. Withholding Requirements. When a state statute provides for the collection of a tax by the employer, withholding is required for any DoD employee who is subject to the tax
and whose regular place of Federal employment is within the state (if the state has entered into an agreement). Generally, the employee’s official duty station is where the employee reports regularly to perform services. For an employee whose duties are performed at a place other than his or her official duty station, the regular place of Federal employment is the place where the employee actually and normally performs their duties.

C. **Withholding Certificate.** DoD employees must complete a state tax withholding certificate as a basis for proper withholding. The certificate must specify if the employee is subject to the tax as well as the employee's place of residence, regular place of employment, exemptions, and allowances. This certificate remains in effect until the employee submits a new certificate. If an employee does not furnish a withholding certificate for a designated state, the maximum amount applicable to the employee’s annual compensation will be withheld.

D. **Determination of Exemptions.** The number of exemptions claimed may be based on the state withholding certificate or as shown on Form W-4 depending on individual state regulations or the agreements with the Secretary of the Treasury.

1. The PRO will withhold amounts based on personal exemptions and either:
   a. The state withholding tax tables, or
   b. Percentage or formula methods in accordance with the proper withholding agreement.

2. Generally, the tax withheld, after subtracting proper exemptions and allowances, should not be less than:
   a. The amount set in the state withholding table, or
   b. The amount determined by the percentage or formula method prescribed.

3. The PRO may use the employee’s Form W-4 to determine state withholding in place of state forms if:
   a. The withholding agreement authorizes it, and
   b. The state and Federal exemptions allowed are the same.

4. Employees must file a state employee withholding exemption certificate if:
   a. Exemptions under state law are not the same as under Federal law, or
b. The state requires the use of a separate form.

E. Reciprocal Agreements. The state requirements for withholding income tax may be modified by reciprocal agreements between states. The effect of reciprocal agreements generally is to relieve nonresident employees of their tax liability to the state in which they are employed. Reciprocal agreements also relieve the employer of the duty to withhold such taxes. To comply with Treasury-state withholding agreements, agencies must conform to the withholding provisions of reciprocal agreements. If an employee is subject to withholding in more than one state, use separate deduction codes to identify tax remittance for each state.

1. Employees usually are subject to withholding for the state in which their duty station is located. The employee’s SF 50 shows the duty location. The duty station also governs withholding for employees in continual travel status. For an employee who performs duties at a place other than the official duty station, the place where the employee regularly performs his or her duties is considered the regular place of employment for state tax withholding purposes.

2. Reciprocal agreements between states may affect automatic withholding according to the duty station. In all disputed cases, the PRO will:
   a. Withhold the tax, and
   b. Advise the employee to negotiate the tax liability directly with the proper taxing authority.

F. Nonresident Employees

1. Some states permit nonresident employees to certify their compensation is not subject to that state’s income tax. When the agreement or state law contains such a provision, the employee's signed statement is accepted as justification to discontinue withholding of state income tax. The statement is filed with the employee's IRS Form W-4.

2. Nonresident employees, who under the state income tax law are required to allocate at least three-fourths of their compensation to the state, are subject to withholding on their entire compensation. Nonresident employees, who under the state income tax law are required to allocate less than three-fourths of their compensation to the state, may elect to:
   a. Have state income tax withheld on their entire compensation, or
   b. Have no state income tax withheld on their compensation (31 C.F.R. 215.10(a)).

G. State Income Tax Discretionary Deductions

1. When a state provides for discretionary allotment withholdings, PROs will withhold state taxes only for those employees who have a legal obligation to pay and who
elect such withholding. This applies whether or not the Department of the Treasury has a withholding agreement with the state.

a. Employees must request the allotment on a proper withholding certificate.

b. Employee tenure does not affect the allotment.

2. Employees located in foreign areas must assume the responsibility for determining the need for state and local taxes. However, before submitting a request, an employee must be advised to:

a. Obtain assistance from the employing activity legal staff available to him or her; or

b. Contact the appropriate state or local income tax office as to the applicability of withholding taxes while on an overseas assignment. Preferably, this should be done prior to an employee's departure from the continental U.S. (CONUS). If the employee determines a withholding liability applies, then PROs will honor the request.

3. The PRO must comply with the agreement, regulations, and instructions of the state concerned.

a. The PRO will base the allotment amount on either:

   (1) The amount (in whole dollars) set by an employee, or

   (2) The withholding certificate filed by an employee and the state withholding tables or formulas.

b. The PRO will pay withheld state income taxes to each state concerned as prescribed for that state.

H. **State Exemption Certificates.** Employees are subject to mandatory withholding under Treasury-state withholding agreements; however, an employee may claim exemption from withholding under certain conditions. PROs must:

1. Require the use of state-furnished tax exemption certificates, if available.

2. Give the designated official of the taxing state the following information (on request) about employees claiming exemption:

   a. Name,

   b. SSN,
c. The basis for the claimed exemption.

I. Military Spouses Residency Relief Act (MSRRA)

1. Public Law 111-97, enacted November 11, 2009 (50 U.S.C. 571), allows for an employee who is a spouse of a military service member to claim an exemption from state withholding on wages because:

a. The employee’s spouse is a member of the Armed Forces assigned to duty in the state of the employee’s employment in compliance with military orders;

b. The employee is present in the state of employment solely to be with the employee’s military spouse; and

c. The employee maintains a residence or domicile in another state.

2. Under the MSRRA, the employee must establish that the employee has a residence or domicile in a state other than the state of employment. An employee who is a military spouse is still liable for income taxes imposed by his or her state of legal residence or domicile. Once an employee establishes that the employee has a residence or domicile in a state other than the employee’s state of employment, the employee may claim an exemption from state tax in the state of employment.

040602. Procedures

The PRO will send copies of Forms W-2 to states that have negotiated agreements with the Secretary of the Treasury with respect to employees who are subject to mandatory state withholding, or who may elect withholding under a state law (TFM, paragraph 3-5070.10).

A. Accounting for Withheld Taxes

1. Employee Pay Records. The PRO will record the amounts withheld each pay period on an employee's pay record when a special payment occurs; otherwise, the system will automatically update an employee's records.

2. Deposit Accounts. The PRO will:

a. List the total of withheld state taxes under the amount column of the Payroll Summary on DD Form 592, Payroll for Personal Services Certification and Summary.

b. Deposit the total in deposit fund account --X6275, (Withheld State Income Taxes). This account will be credited regardless of the employing activity of the employee, Federal Account Symbols and Titles (FAST) Book II.
3. **Error Corrections.** The PRO should correct a clerical error made in the prior pay period to the current calendar year if the employee is still on the payroll. If the error resulted in the underdeduction of taxes, the PRO must follow due process procedures to collect the taxes paid on behalf of the employee. If the error resulted in the overdeduction of withheld taxes, the PRO must refund the amount of the overdeduction to the employee on the next regular payroll cycle. The PRO will not make any adjustment if:

a. The employee is no longer on the payroll, or

b. The error was in a prior calendar year.

4. **Paying Out Withheld Taxes**

a. **Frequency.** PROs will comply with the state's current tax law, whether payment is required biweekly, monthly, or quarterly. PROs will not make payments more often than required under state tax law.

b. **Payment Identification.** The disbursing officer will issue checks on the basis of approved voucher prepared by the PRO. The PRO must prepare required tax payment documents.

5. **Balancing State Wage and Tax Information.** The PRO will balance the amounts reported on the Form W-2 or magnetic tape to each state with year-to-date control totals for state taxes withheld and state taxable wages. These amounts must be balanced before Forms W-2 are distributed to employees and forwarded to the states.

6. **Collection of Delinquent Taxes.** Title 5, C.F.R. Part 582 authorizes the collection of a tax levy from a state or local government. The Defense Finance and Accounting Service-Cleveland Site (DFAS-CL/L) has been designated as the agent to accept legal process for DoD civilian employees for state or local tax levies. All state income tax liens will be sent to: Defense Finance and Accounting Service Cleveland Site, Office of General Counsel, Attention: Code L, P.O. Box 998002, Cleveland, Ohio 44199-8002.

7. **Notice to Employees.** The DoD Components should advise their employees that information returns will be sent to state and other taxing authorities of the employee's state of employment (and, in some cases, residence) where such authorities have requested the information. Only information properly releasable under the Privacy Act or the applicable notice of routine use may be released.

B. **Recordkeeping**

1. The PROs must retain the following records of state tax deductions:

a. EIN assigned by the state;

b. Amounts and dates of all payments and wages subject to state tax withholding;
c. Names, addresses, and Social Security Numbers (SSNs) of employees; and
d. Dates and amounts of tax deposits made.

2. The CSR will retain the following:

   a. The employee's state withholding allowance certificate which
      will be kept until superseded or canceled, and
   b. Dates of employment.

C. Annual Form W-2 Reporting. Refer to Chapter 9 for procedures.

D. Official State and Territory Codes and Abbreviations. The official
   abbreviations and state codes for all the states of the U.S. (including D.C.) and U.S. possessions and
   territories are listed in Table 4-4. No other abbreviations or codes may be used.

040603. Guam or the Commonwealth of Northern Mariana Islands Federal Income
   Taxes

   The total amount of Federal income taxes withheld from employee salaries creditable to
   Guam or the Commonwealth of Northern Mariana Islands must be certified and submitted each
   calendar quarter to the IRS. The certifications must include the employer identification number, the
   quarter covered by the certifications, and the dollar amount withheld. The submission may contain
   one certification, but amounts attributable to Guam and the Commonwealth of Northern Mariana
   Islands must be reported separately. Refer to TFM, Part 3, section 4090 for additional information.

0407 CITY AND LOCAL INCOME AND EMPLOYMENT TAX WITHHOLDING

040701. Withholding Authority

   Title 5, U.S.C., Section 5520 authorizes withholding of city, county or employment tax from
   compensation of Federal employees who are subject to tax and whose regular place of Federal
   employment is within the city or county which has entered into a proper agreement with the Secretary
   of the Treasury. Withholding is also required if the employee is a resident of the city or county.
   Each DoD employee must complete a withholding certificate for city or local taxes as a basis for
   proper withholding. An out-of-state employee's consent to have city or local taxes withheld is also
   required when applicable.

   A. Treasury Agreements. An agreement must be reached between the Secretary
   of the Treasury and the applicable city, county, or local taxing authority before withholding is
   required (TFM, Part Three, Chapter 5000, Appendix 3). The agreement provides for mandatory
   withholding of income or employment tax from the compensation of Federal employees whose
   regular place of employment is within the city or county or who are residents of the city or county.
Generally, this is based on where employees report for work. In the case of employees who perform their services other than where they report, the regular place of employment is where the employee regularly performs his or her services.

B. Wages Subject to City and County Withholding. PROs must apply policies and follow procedures as prescribed for each state in the determination of employee wages subject to mandatory city and county withholding.

1. Basic Wages. All wages and salaries subject to Federal income tax withholding are normally subject to city and county withholding. Severance pay paid to an employee is generally included; however, severance pay paid to the survivor of a deceased employee is excluded.

2. Mandatory Withholding

   a. The PRO must withhold tax from wages of Federal employees who reside in cities or counties that have entered into withholding agreements.

   b. The PRO must withhold tax from the wages of Federal employees whose regular place of Federal employment is within a city or county where they are subject to tax. If employees reside in a state other than the state in which the city or county is located, then they are exempt from mandatory withholding.

   c. The Federal employee's regular place of employment usually is the employee's official duty station that is shown on the SF 50. If an employee actually performs service at a location other than the official duty station, that alternate location will be considered the regular place of employment.

   d. Many local ordinances tax only wages for services performed within the city or county; in most cases, this applies only to nonresident employees. Employees eligible to exclude part of their annual income under such provisions must submit a withholding certificate that specifies the amount or percentage. The PRO must reduce withholding accordingly. If the employee does not file a certificate, the PRO must withhold tax based on the employee’s total compensation. PROs must not make an adjustment in withholding if employees perform less than 25 percent of their services outside the city or county.
C. Withholding Certificates

1. Employees must submit withholding certificates. They must provide the CSR with all the information needed to properly deduct city or county income taxes. If employees do not provide a certificate, then the PRO must withhold tax at the highest level that applies to their annual wages; however, the PRO must not withhold any tax from wages of out-of-state employees until they present a form consenting to withholding.

2. Employing activities may use a withholding or exemption certificate furnished by a city or county only if it contains all required information. If the form does not contain all needed information, then employing activities may use Financial Management Service Form 7311, Employee Withholding Certificate for Local Taxes. See TFM, Volume 1, Part Three, Chapter 5000, section 5040.40.

3. The CSR may provide copies of completed withholding forms to the city or county upon request. See TFM, Volume I, Part Three, Chapter 5000, section 5040.50.

D. Discretionary Withholding of City or Local Tax

1. Nonresident Employees. An employee who does not reside in the state in which the city or county (place of employment) is located is exempt from mandatory withholding; however, the PRO may withholding tax with the employee's consent. The employee must submit a withholding certificate.

2. Allotment for Discretionary Deduction. Employees have the option of making discretionary allotments for the payroll deduction of taxes of their city or county of residence if they are employed outside that location. The fact that taxes are withheld for the city or county of employment does not affect the employee's discretionary allotment.
   a. An employee may make a discretionary allotment for withholding even though the city or county does not have a withholding agreement.
   b. The PRO must set the allotment amount on the city or county withholding method or deduct a whole dollar amount set by the employee. The employee must submit a proper withholding certificate.

3. Accounting for Discretionary Withholding. The PRO must account for discretionary tax deductions as prescribed for mandatory withholdings.

4. Amount of Withholding. The PRO must withhold tax based on:
   a. The proper city or county tax withholding rate set in the city or county instructions,
   b. The prescribed percentage or formula method, or
c. Computation of a set amount to be deducted from the employee's pay each pay period.

5. Minimum Withholding. The PRO must deduct an amount, at a minimum, nearly equal to the tax required by the city or county.

040702. Procedures.

The PRO must record amounts withheld each pay period in the employee’s pay record when a special payment occurs; otherwise, the system will automatically update an employee’s record.

A. Deposits. The PRO must make a one-line entry on the DD Form 592 as follows:

1. Enter withheld city (or county) income tax below state or territorial tax and the total amount withheld each pay period.

2. Credit the withheld tax to deposit fund account --X6275 for city and county tax.

B. Correcting Errors. PROs must apply the same instructions applicable to the withholding of state taxes. Refer to subparagraph 040602.A.3.

C. Paying Out Withheld Taxes. PROs must apply instructions for state tax.

D. Annual Form W-2 Reporting. See Chapter 9.

040703. Recordkeeping

A. PROs must keep all records of city or county income tax deductions. Records should include the:

1. EIN assigned by the city or county;

2. Amounts and dates of all wages subject to city or county tax withholding;

3. Names, addresses, and SSN of employees;

4. Dates and amounts of city or county tax paid; and

5. Copies of all returns filed.

B. The employing activity must retain withholding authorization certificates for city tax deductions for each employee until superseded or canceled.

Figure 4-1: Lump-Sum Annual Leave Repayment (Sample Format)
<table>
<thead>
<tr>
<th>To:</th>
<th>From:</th>
</tr>
</thead>
</table>

Under the provisions of the Lump-Sum Payment Act (December 21, 1944), the following statement is furnished for submission with your Federal and state income tax returns for calendar year.

Name and Number of Employee

refunded during the calendar year _____ the sum of $__________, representing refund of Lump-Sum Annual Leave payment under the provisions of the Lump-Sum Payment Act. The Form W-2 (Wage and Tax Statement) for calendar year ______ has not been decreased by this amount.

<table>
<thead>
<tr>
<th>Duty Station</th>
<th>Federal Employer's Identification Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State Identification Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Typed Name, Title and Telephone</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Copy Forwarded To:

Internal Revenue Service

State of

City or County of
Table 4-1: Mandatory Deductions Withheld From Civilian Pay for CSRS and FERS Employees

<table>
<thead>
<tr>
<th>Description</th>
<th>FED. TAX</th>
<th>SOCIAL SECURITY</th>
<th>MEDICARE</th>
<th>STATE</th>
<th>CITY/LOCAL</th>
<th>RET</th>
<th>TSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Premium pay: Sunday, Holiday and Overtime; Standby Duty, Availability Pay, and Administratively Uncontrollable Overtime</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>2. Basic Pay</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>3. Differentials include Night, Hazardous, Post (nonforeign &amp; foreign), Staffing, Supervisory</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>4. Other Differentials: Shift, Environmental, and Tropical</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>5. Lump-Sum Leave</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>6. Severance Pay</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>7. Awards</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>8. Allowances include Living Quarters, Temporary Quarters Subsistence, Post, Foreign Transfer, Home Service Transfer, Separate Maintenance, Official Residence, Representation, Cuba Benefit</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>9. Other Allowances:</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>a. Non-foreign Cost-of-Living</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>b. Physicians Comparability</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>c. Remote Site</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>d. Danger Pay</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>10. Recruitment, Relocation, and Retention Incentives</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>11. Separation Incentive Pay</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
</tbody>
</table>

Varies by state and city/local taxing authority. See also Chapter 3 for additional guidance.
Table 4-2: 1963 through 1993 Percentage Rates of FICA: Social Security Tax and Medicare Tax Deductions and Total Maximum Tax

<table>
<thead>
<tr>
<th>CALENDAR YEAR</th>
<th>MAXIMUM GROSS PAY (applies to both Social Security and Medicare taxes except where noted)</th>
<th>SOCIAL SECURITY</th>
<th>MEDICARE</th>
<th>TOTAL TAX RATE APPLIED TO MAXIMUM GROSS PAY* (Refers to combined Medicare and Social Security Tax Rates through 1993)</th>
<th>MAXIMUM TAX PAYABLE (Refers to combined Medicare and Social Security tax through 1993)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963-1965</td>
<td>$4,800</td>
<td>3.625%</td>
<td>0.00%</td>
<td>3.625%</td>
<td>$174.00</td>
</tr>
<tr>
<td>1966</td>
<td>6,600</td>
<td>3.85%</td>
<td>0.35%</td>
<td>4.20%</td>
<td>277.20</td>
</tr>
<tr>
<td>1967</td>
<td>6,600</td>
<td>3.90%</td>
<td>0.50%</td>
<td>4.40%</td>
<td>290.40</td>
</tr>
<tr>
<td>1968</td>
<td>7,800</td>
<td>3.80%</td>
<td>0.60%</td>
<td>4.40%</td>
<td>343.20</td>
</tr>
<tr>
<td>1969-1970</td>
<td>7,800</td>
<td>4.20%</td>
<td>0.60%</td>
<td>4.80%</td>
<td>374.40</td>
</tr>
<tr>
<td>1971</td>
<td>7,800</td>
<td>4.60%</td>
<td>0.60%</td>
<td>5.20%</td>
<td>405.60</td>
</tr>
<tr>
<td>1972</td>
<td>9,000</td>
<td>4.60%</td>
<td>0.60%</td>
<td>5.20%</td>
<td>468.00</td>
</tr>
<tr>
<td>1973</td>
<td>10,800</td>
<td>4.85%</td>
<td>1.00%</td>
<td>5.85%</td>
<td>631.80</td>
</tr>
<tr>
<td>1974</td>
<td>13,200</td>
<td>4.95%</td>
<td>0.90%</td>
<td>5.85%</td>
<td>772.20</td>
</tr>
<tr>
<td>1975</td>
<td>14,100</td>
<td>4.95%</td>
<td>0.90%</td>
<td>5.85%</td>
<td>824.85</td>
</tr>
<tr>
<td>1976</td>
<td>15,300</td>
<td>4.95%</td>
<td>0.90%</td>
<td>5.85%</td>
<td>895.05</td>
</tr>
<tr>
<td>1977</td>
<td>16,500</td>
<td>4.95%</td>
<td>0.90%</td>
<td>5.85%</td>
<td>965.25</td>
</tr>
<tr>
<td>1978</td>
<td>17,700</td>
<td>5.05%</td>
<td>1.00%</td>
<td>6.05%</td>
<td>1,070.85</td>
</tr>
<tr>
<td>1979</td>
<td>22,900</td>
<td>5.08%</td>
<td>1.05%</td>
<td>6.13%</td>
<td>1,403.77</td>
</tr>
<tr>
<td>1980</td>
<td>25,900</td>
<td>5.08%</td>
<td>1.05%</td>
<td>6.13%</td>
<td>1,587.67</td>
</tr>
<tr>
<td>1981</td>
<td>29,700</td>
<td>5.35%</td>
<td>1.30%</td>
<td>6.65%</td>
<td>1,975.05</td>
</tr>
<tr>
<td>1982</td>
<td>32,400</td>
<td>5.40%</td>
<td>1.30%</td>
<td>6.70%</td>
<td>2,170.80</td>
</tr>
<tr>
<td>1983</td>
<td>35,700</td>
<td>5.40%</td>
<td>1.30%</td>
<td>6.70%</td>
<td>2,391.90</td>
</tr>
<tr>
<td>1984</td>
<td>37,800</td>
<td>5.70%</td>
<td>1.30%</td>
<td>** 6.70%</td>
<td>2,532.60</td>
</tr>
<tr>
<td>1985</td>
<td>39,600</td>
<td>5.70%</td>
<td>1.35%</td>
<td>7.05%</td>
<td>2,791.80</td>
</tr>
<tr>
<td>1986</td>
<td>42,000</td>
<td>5.70%</td>
<td>1.45%</td>
<td>7.15%</td>
<td>3,003.00</td>
</tr>
<tr>
<td>1987</td>
<td>43,800</td>
<td>5.70%</td>
<td>1.45%</td>
<td>7.15%</td>
<td>3,131.70</td>
</tr>
<tr>
<td>1988</td>
<td>45,000</td>
<td>6.06%</td>
<td>1.45%</td>
<td>7.51%</td>
<td>3,379.50</td>
</tr>
<tr>
<td>1989</td>
<td>48,000</td>
<td>6.06%</td>
<td>1.45%</td>
<td>7.51%</td>
<td>3,604.80</td>
</tr>
<tr>
<td>1990</td>
<td>51,300</td>
<td>6.20%</td>
<td>1.45%</td>
<td>7.65%</td>
<td>3,924.45</td>
</tr>
<tr>
<td>1991</td>
<td>53,400</td>
<td>6.20%</td>
<td>0.00%</td>
<td>***6.20%</td>
<td>3,310.80</td>
</tr>
<tr>
<td>1992</td>
<td>55,500</td>
<td>6.20%</td>
<td>0.00%</td>
<td>***6.20%</td>
<td>3,441.00</td>
</tr>
<tr>
<td>1993</td>
<td>65,000</td>
<td>6.20%</td>
<td>1.45%</td>
<td>1.45%</td>
<td>1,887.90</td>
</tr>
<tr>
<td>1994-1993</td>
<td>135,000</td>
<td>6.20%</td>
<td>1.45%</td>
<td>1.45%</td>
<td>3,571.20</td>
</tr>
</tbody>
</table>

4-36
*Table 4-3:  1994 to 2015 Percentage Rates of FICA:  Social Security Tax and Total Maximum Tax

<table>
<thead>
<tr>
<th>CALENDAR YEAR</th>
<th>MAXIMUM GROSS PAY (applies to Social Security tax only after 1994)</th>
<th>SOCIAL SECURITY</th>
<th>MEDICARE ****</th>
<th>MAXIMUM TAX PAYABLE (Refers Social Security tax only after 1994)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>60,600</td>
<td>6.20%</td>
<td></td>
<td>3,757.20</td>
</tr>
<tr>
<td>1995</td>
<td>61,200</td>
<td>6.20%</td>
<td></td>
<td>3,794.40</td>
</tr>
<tr>
<td>1996</td>
<td>62,700</td>
<td>6.20%</td>
<td></td>
<td>3,887.40</td>
</tr>
<tr>
<td>1997</td>
<td>65,400</td>
<td>6.20%</td>
<td></td>
<td>4,054.80</td>
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<tr>
<td>1998</td>
<td>68,400</td>
<td>6.20%</td>
<td></td>
<td>4,240.80</td>
</tr>
<tr>
<td>1999</td>
<td>72,600</td>
<td>6.20%</td>
<td></td>
<td>4,501.20</td>
</tr>
<tr>
<td>2000</td>
<td>76,200</td>
<td>6.20%</td>
<td></td>
<td>4,724.40</td>
</tr>
<tr>
<td>2001</td>
<td>80,400</td>
<td>6.20%</td>
<td></td>
<td>4,984.80</td>
</tr>
<tr>
<td>2002</td>
<td>84,900</td>
<td>6.20%</td>
<td></td>
<td>5,263.00</td>
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<tr>
<td>2003</td>
<td>87,000</td>
<td>6.20%</td>
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<td>5,394.00</td>
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<tr>
<td>2004</td>
<td>87,900</td>
<td>6.20%</td>
<td></td>
<td>5,449.80</td>
</tr>
<tr>
<td>2005</td>
<td>90,000</td>
<td>6.20%</td>
<td></td>
<td>5,580.00</td>
</tr>
<tr>
<td>2006</td>
<td>94,200</td>
<td>6.20%</td>
<td></td>
<td>5,840.40</td>
</tr>
<tr>
<td>2007</td>
<td>97,500</td>
<td>6.20%</td>
<td></td>
<td>6,045.00</td>
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<tr>
<td>2008</td>
<td>102,000</td>
<td>6.20%</td>
<td></td>
<td>6,324.00</td>
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<tr>
<td>2009-2010</td>
<td>106,800</td>
<td>6.20%</td>
<td></td>
<td>6,621.60</td>
</tr>
<tr>
<td>2011*****</td>
<td>106,800</td>
<td>4.20%</td>
<td></td>
<td>4,485.60</td>
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<tr>
<td>2012*****</td>
<td>110,100</td>
<td>4.20%</td>
<td></td>
<td>4,624.20</td>
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<tr>
<td>2013******</td>
<td>113,700</td>
<td>6.20%</td>
<td></td>
<td>7,049.40</td>
</tr>
<tr>
<td>2014</td>
<td>117,000</td>
<td>6.20%</td>
<td></td>
<td>7,254.00</td>
</tr>
<tr>
<td>2015</td>
<td>118,500</td>
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*The OASDI program sets the limits on the amount of earnings subject to be taxed in any given year. Beginning in 1994, the limitation on maximum gross wages subject to Medicare tax was removed. Therefore, from 1963 to 1993, the “Maximum Tax Payable” column in Table 4-2 refers to the maximum amount of tax payable for both Social Security tax and Medicare tax. Beginning with 1994, the “Maximum Tax Payable” column refers only to the maximum amount of Social Security tax payable. Similarly, the “Total Tax Rate Applied to Maximum Gross Pay” is a sum total of the Medicare tax rate and the Social Security Tax rate until 1993.

**Beginning in 1984 the Social Security/Medicare rate was combined for a total of 7% and employees were given a .3% credit applied to the portion.

***From 1991 through 1993, the maximum gross wages subject to FICA tax were separated for Social Security and Medicare tax purposes. For 1991 through 1993, the maximum gross taxable wages subject to Social Security tax is listed on the chart first followed by the maximum amount of taxable wages for Medicare in the row below.

**** From 1994 to 2011, the Medicare tax is 1.45% with no limit on the maximum amount of taxable wages for Medicare. Beginning with the 2013 tax year, the employee’s portion of the Medicare tax is increased by an additional 0.9% (for a total of 2.35%) for wages in excess of $200,000.

***** For 2011, the employee’s portion of the Social Security tax is 4.2%. The employer’s portion of the Social Security tax in 2011 remains at 6.2% for the employee’s first $106,800 of taxable earnings. In addition to the Social Security tax, an employee is subject to a Medicare tax of 1.45%, with no limit on the maximum amount of taxable wages for Medicare. The employer must pay a Medicare tax of 1.45% and the combined Medicare tax for 2011 remains at 2.9% on all employee earnings.

******For 2012, the employee’s portion of the Social Security tax remained at 4.2%.
### Table 4-4: State Abbreviations and Numeric Codes

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VOLUME 8, CHAPTER 5: “LEAVE AND OTHER ABSENCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated October 2015 is archived.

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<td>Reworded, renumbered, and reformatted chapter for clarity; updated references; and added hyperlinks.</td>
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<td>050304.B.4</td>
<td>Added statement that employees who have a negative annual leave balance and transfer agencies will have their negative leave balance transfer with them to their new agency.</td>
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<td>050306.D</td>
<td>Clarified the human resources office identifies annual leave to be restored and notifies the customer service representative.</td>
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<td>Clarified types of administrative error for restoring forfeited annual leave.</td>
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<td>Clarified maximum leave donation amounts for a leave year for those with no use or lose leave.</td>
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<tr>
<td>051510.A.3</td>
<td>Clarified that employee’s do not have the right to refuse jury duty fees.</td>
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<td>051802</td>
<td>Added statement that an agency is authorized to pay the expenses of an official or an employee of the United States carrying out an official function as part of a funeral or memorial service.</td>
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<td>052002</td>
<td>Clarified temporary employees who have their appointment extended are not entitled to military leave.</td>
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<td>Added statement that employees supporting a contingency operation are entitled to 22 workdays of military leave.</td>
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<td>0525</td>
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0501 GENERAL

050101. Purpose

The Office of Personnel Management (OPM) provides government-wide information on Federal leave policies and programs. Each Federal agency is responsible for administering leave policies and programs for its employees. The purpose of this chapter is to provide information on leave policies specific to Department of Defense (DoD) employees as they apply to the various types of leave, including annual leave, sick leave, various forms of family friendly leave, leave sharing, leave under the Family and Medical Leave Act (FMLA), and time off for special circumstances, such as weather emergencies. The type, amount, and nature of leave benefits are dependent on the type and length of employment, military status, and other eligibility requirements.

050102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

0502 GENERAL REQUIREMENTS AND RESPONSIBILITIES

050201. Objectives

Civilian Payroll Offices (PRO) and payroll systems areas are responsible for meeting the following objectives:

A. Maintaining leave records and balances for each employee as provided in paragraph 050203;

B. Recording accrued and accumulated leave. Accrued leave is leave earned by an employee during the current leave year that is unused at any given time in that year. Accumulated leave means unused leave remaining to the credit of an employee at the beginning of the leave year;

C. Reporting all leave taken; and

D. Reporting accurate data on leave use and accruals in order to simplify the collection of leave related debts and preparation of financial reports.

050202. Maintaining Leave Records

The PROs must maintain leave records for each employee in order to show:

A. Rate of accrual for each type of leave,
B. Hours or days accrued and type of leave used,

C. Hours or days of leave advanced by leave type, and

D. Leave balances.

050203. Rate of Leave Accrual

A. Leave Year. The leave year begins on the first day of the first full biweekly pay period in a calendar year. A leave year ends on the day immediately before the first day of the first full biweekly pay period in the following calendar year (or first complete pay period in the following calendar year). See the leave years for 2002 through 2020 at the OPM Fact Sheet, Leave Year Beginning and Ending Dates.

B. System Requirements for Accurate Leave Records. To ensure proper accrual rates, the civilian payroll system must contain accurate information on the type of appointment for each employee and the types of leave hours or days to which the employee is entitled. The PRO must accurately record leave earned for each type of leave using the correct rates effective for the proper times.

C. Reductions in Leave Credits. Reductions in the leave balances are made at the beginning of each leave year for any accumulated leave that exceeds statutory limits. Reductions in leave credits must be made in accordance with Title 5, Code of Federal Regulations (C.F.R.), part 630.208.

D. Reductions Resulting in a Debit. When a reduction in leave credits results in a debit to an employee's annual leave account at the end of a leave year, the agency must:

1. Carry the debit forward as a charge against the annual leave to be earned by the employee in the next leave year; or

2. Require the employee to refund the amount paid him for the period covering the excess leave that resulted in the debit.

E. Recording Leave Credits and Usage. The PRO must post annual and sick leave earned for each pay period to the employee’s leave record. The leave record must also reflect all leave used during the same pay period.

F. Prorating the Accrual of Leave. When an employee's service is interrupted by a non-leave-earning period, leave is earned on a pro rata basis for the portion of the pay period that the employee is in a pay status. See 5 C.F.R. 630.204. See Table 5-1 for proration of leave.
050204. Approval

To support the time and attendance record, employees must request approval of leave. Supervisors designated to approve leave must document leave used in writing. Documentation for leave used must show the dates, times, and types of leave taken.

050205. Minimum Charge

Heads of DoD Components and their designees have the authority to establish minimum charges for leave as outlined in the Department of Defense Instruction (DoDI) 1400.25-V630. The minimum charge for leave will be 1 hour unless an agency determines a need to establish a minimum charge for leave of less than 1 hour or establishes a different minimal charge through negotiations. In any case, the agency may not charge for leave in increments of less than 6 minutes. See 5 C.F.R. 630.206.

0503 ANNUAL LEAVE

050301. General

Annual leave is an approved leave of absence from duty with pay for personal, emergency, or other reasons. An employee may use annual leave for vacations, rest and relaxation, and personal business or emergencies. Annual leave may be used for pregnancy, childbirth and recovery, bonding with or caring for a baby, or for other childcare responsibilities. 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. An employee may also elect to have a lump-sum payment at the time they enter on active duty in the Armed Forces. See 5 C.F.R. 630, subpart C and the OPM Handbook on Leave and Workplace Flexibilities for Childbirth, Adoption, and Foster Care.

A. Creditable Service for Annual Leave Accrual. When a new employee is hired, the hiring agency establishes a Service Computation Date (SCD) at the time of the appointment. The SCD is used to determine the rate that the employee accrues annual leave (4, 6, or 8 hours per pay period for most employees). See subparagraph 050302.B and OPM’s Creditable Service for Leave Accrual.

B. Charging Annual Leave Accrued During the Same Pay Period. To ensure the proper documentation of leave, the PRO posts any annual leave earned in a pay period to the employee’s record before charging the leave taken during the same pay period.

C. Substituting Annual Leave for Sick Leave. If requested by an employee (and approved by a supervisor), any absence that is otherwise chargeable to sick leave may be charged to annual leave. Retroactively substituting annual leave for sick leave is not authorized except to liquidate advanced sick leave indebtedness. The substitution of annual leave for sick leave may not be made retroactively for the purpose of avoiding a forfeiture of annual leave at the end of the leave year.
D. **Scheduling of Annual Leave.** Employees and their supervisors are mutually responsible for planning and scheduling the use of employees' annual leave throughout the leave year. Employees should request annual leave in a timely manner, and supervisors should provide timely responses to employees' requests.

**050302. Annual Leave Accrual**

A. **General.** Most employees earn leave based on their work schedule, status, and time in service. Paragraph 050302 does not apply to employees who are Senior Executive Service (SES), Senior Level (SL)/Scientific or Professional (ST) employees. See paragraph 050303 for leave accrual for SES, SL/ST employees.

B. **Eligibility for Annual Leave.** Generally, most employees are eligible to take authorized absences from work using accrued annual leave, subject to the following requirements:

1. **Uncommon Tour of Duty.** Full-time, part-time, temporary, and employees on uncommon tours of duty are eligible to accrue annual leave. Employees with an uncommon tour of duty accrue leave directly proportional (based on the number of hours in the biweekly tour of duty and the accrual rate of the corresponding leave category) to the standard leave accrual rates for employees who accrue and use leave on the basis of an 80-hour biweekly tour of duty. When an employee is converted to a different tour of duty for leave purposes, his or her leave balances shall be converted to the proper number of hours based on the proportion of hours in the new tour of duty compared to the former tour of duty. See 5 C.F.R. 630.210(b).

2. **Temporary Employees.** Temporary employees with an appointment of less than 90 days are entitled to accrue annual leave only after being employed for a 90-day continuous period under successive appointments with no break in service. After completing the 90-day period of continuous employment, the employee is entitled to be credited with the leave that would have accrued during that period.

3. **Intermittent and Seasonal Employees.** Employees without an established scheduled tour of duty during the administrative workweek are not eligible to accrue annual leave. See 5 C.F.R. 340, subpart D.

C. **Accrual Rates.** Employees must be employed for the full pay period to accrue leave for that pay period. An employee is considered to be employed for a full pay period if they are employed during the days falling within that period, exclusive of holidays and non-workdays established by Federal statute, Executive Order, or administrative order. See Title 5, United States Code (U.S.C.), section 6302(b). The amount of annual leave earned is based on the length of Federal service, including creditable military service or service credit for prior non-Federal service under 5 U.S.C. § 6303(e). Leave for full-time employees is earned as follows (see Table 5-1):

1. Full-time employees with less than 3 years of service earn 4 hours of annual leave per pay period or a total of 13 days per year.
2. Full-time employees with over 3 years, but less than 15 years of service, earn 6 hours per pay period or a total of 20 days per year. These employees earn an additional 4 hours in the last full pay period of the calendar year.

3. Full-time employees with 15 or more years of service earn 8 hours per pay period or a total of 26 days per year.

D. Nonpay Status and Annual Leave Accrual. The accumulation of nonpay status hours during the leave year may affect the accrual of annual leave. Each time the number of hours in a nonpay status in a full-time employee’s leave year equals the number of base pay hours in a pay period, the civilian payroll system reduces leave credits by the amount of leave the employee earned during the pay period. When an employee’s accumulated nonpay hours do not require a reduction of leave credits, the civilian payroll system drops the nonpay hours at the end of the employee’s leave year. Annual leave does not accrue for employees who are in a nonpay status and who are receiving compensation from the Office of Workers’ Compensation Program (OWCP). Therefore, for such employees, no reduction in leave credits is required. See 5 C.F.R. 630.208.

E. Part-Time Employee Annual Leave Accrual

1. Under 5 C.F.R. 630.303, part-time employees with regularly scheduled tours of duty earn annual leave on a pro rata basis for the time they are in a pay status. Leave is earned as follows:

   a. Part-time employees with less than 3 years of service earn 1 hour of annual leave for each 20 hours in a pay status.

   b. Part-time employees with 3 years but less than 15 years of service earn 1 hour of annual leave for each 13 hours in a pay status.

   c. Part-time employees with 15 or more years of service earn 1 hour of annual leave for each 10 hours in a pay status.

2. Hours in a pay status that exceed the activity’s basic work hours in a pay period (normally 80 hours) are disregarded when computing the leave earnings for part-time employees. See 5 C.F.R. 630.202(b).

3. Part-time employees may carry forward from one pay period to the next those excess hours that are not evenly divisible by 10, 13, or 20 hours; as applicable, the PRO must add these hours to the next pay period work hours for leave accrual.

4. Part-time employees who work concurrently in two part-time Federal positions may earn annual leave on the same pro rata basis for the hours worked in each part-time position. Only the leave earned in the given part-time position may be used for absences from that position.

F. Uncommon Tours of Duty and Annual Leave Accrual. An uncommon tour
of duty means an established tour of duty that exceeds 80 hours of work in a pay period. See 5 C.F.R. 630.201. Employees working uncommon tours of duty accrue leave in direct proportion to the standard leave rates for employees who accrue and use leave based on an 80-hour biweekly tour of duty. See 5 C.F.R. 630.210(a). See the Application of the Directionally Proportional Table in DoDI 1400.25-V630 to determine the appropriate amount of leave to credit an employee working an uncommon tour of duty. For employees on uncommon tours of duty, 1 hour of leave is charged for each hour of absence from the uncommon tour of duty.

050303. Annual Leave Accrual Rates for SES, SL/ST, or Defense Intelligence Senior Level (DISL) Employees

A. General. Section 202(b) of the Federal Workforce Flexibility Act of 2004, effective October 30, 2004, provides a higher annual leave accrual rate of 1 full day (8 hours) per pay period, without regard to the length of service with the Federal Government. This act affects members of the SES (5 U.S.C. § 5383), SL and ST positions (5 U.S.C. § 5376), and DISL employees (10 U.S.C. § 1607(a)), hereinafter SES members. See 5 U.S.C. § 6303(f) and 5 C.F.R. 630.301.

B. OPM Approval of Additional Categories of Employees. The head of an agency may request that OPM authorize an annual leave accrual rate of 1 full day (8 hours) for each pay period for additional categories of employees covered by 5 U.S.C. § 6301. The positions must be determined by OPM to be equivalent to positions subject to the pay systems under 5 U.S.C. § 5383 or 5376. Such requests must include an explanation of the rationale for considering the affected pay system to be equivalent to the SES member pay system. See 5 C.F.R. 630.301(b). Once OPM approves an agency’s request to cover additional categories of employees, the higher annual leave accrual rate will become effective for the pay period that OPM approves the agency’s request. Agencies must credit annual leave at the 8-hour accrual rate for affected employees employed for the full pay period.

C. SES Members Who Change Positions

1. Revising Accrual Rates. SES members who move to a position not covered by the higher annual leave accrual rate will no longer be entitled to the higher rate. Upon movement to a non-covered position, an SES member’s annual leave accrual rate must be determined based on his or her years of creditable service, as provided in 5 U.S.C. § 6303(a) and 5 C.F.R. 630.301(d).

2. Crediting Accumulated Annual Leave. An SES member moving from a position not covered by the higher annual leave accrual rate to a new position that is covered by the higher accrual rate retains any annual leave accumulated prior to the move and the leave remains to the employee’s credit. See 5 C.F.R. 630.301(f).

   a. Forfeited Leave. Annual leave accumulated before an employee moves to a position covered by the higher annual leave accrual rate that exceeds the amount allowed under 5 U.S.C. § 6304(a) or (b), and that is not used by the beginning of the first full pay period in the next leave year, is subject to forfeiture under 5 U.S.C. § 6304(c).
b. **Special Circumstances.** If an employee serves less than a full pay period in a position covered by the higher annual leave accrual rate, then the annual leave accrued for that portion of the pay period will be subject to the 720 hour (90 day) limitation on accumulation of annual leave. Annual leave accrued during the remainder of the pay period that the employee was not covered by the higher annual leave accrual rate is subject to the limitations under 5 U.S.C. § 6304 (a), (b), and (c), as appropriate.

D. **Presidential Appointees.** Executive Schedule employees appointed by the President do not accrue leave, and therefore, an absence from work is not charged as leave. See 5 U.S.C. § 6301(2)(x) and 5 C.F.R. 630.211.

1. **Lump-Sum Payments of Accrued Annual Leave for Presidential Appointees.** A current Federal employee who receives a Presidential appointment is not entitled to a lump-sum payment for his or her unused annual leave. See 5 C.F.R. 550.1203(e) and Chapter 3, section 0307. Maintain the unused annual leave credit on the employee’s record in the event the employee is reemployed in a position covered by the Federal leave system. However, if the employee separates from Federal service while under a Presidential appointment, the employee will receive a lump-sum payment for unused annual leave based on the rate of pay in effect for the position the employee held immediately before the employee accepted the appointment. See 5 U.S.C. § 5551(b).

2. **Exceptions for Certain SES Career Appointees.** An SES career appointee appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule may elect to retain certain SES benefits, including annual and sick leave accrual, upon accepting the Presidential appointment. If the appointee elects to continue their leave benefits, then the liquidation of leave by lump-sum payment would not apply. See 5 U.S.C. § 3392(c), 5 C.F.R. 550.1203(e), and 5 C.F.R. 317.801.

*050304. Advanced Annual Leave

A. **General.** Under 5 U.S.C. § 6302(d), annual leave may be advanced to an employee in the amount not to exceed the total amount the employee would accrue within the leave year. A supervisor must have reasonable assurance the employee will be in a duty status long enough to earn the advanced leave. Leave must not be advanced to an employee when it is known or expected that the employee will not return to duty, such as when the employee has applied for disability retirement. Annual leave should be advanced to the maximum extent practicable for purposes related to pregnancy and childbirth.

B. **Refunding Advanced Annual Leave

1. **General.** Advanced leave is liquidated with any subsequently earned annual leave. An employee who separates from Federal service must refund the amount of the advanced leave, or the agency may deduct the amount from any pay due the employee. See 5 C.F.R. 630.209(a).

2. **Exceptions.** An employee who dies or retires for a disability is not
required to refund the amount of advanced leave due. An employee who has been determined by
the employing office as having separated or resigned because of a disability is not required to refund
the amount of advanced leave. However, medical evidence may be required by the employing office
in order to determine if the disability prevents his or her return to duty or continued service.
See 5 C.F.R. 630.209(b).

3. **Military Service.** An employee who enters active military service
with a right to restoration is not considered separated and is not required to refund the advanced
annual leave when entering military service. The employee must liquidate the advanced annual leave
after the employee returns to duty or refund the advanced leave if the employee is separated from
Federal service. See 5 C.F.R. 630.209(a).

* 4. **Transfers to Another Federal Agency.** If an employee has been
indebted for advanced annual leave and transfers to another Federal agency without a break in
service, the losing agency must certify the annual leave account to the new agency for charge. An
employee is not required to refund the advanced annual leave in order to achieve a zero balance
before the time of transfer. In such cases, a negative annual leave balance will transfer with the
employee to the employee’s new agency. See 5 C.F.R. 630.501 and the OPM Fact
Sheet, *Advanced Annual Leave*.

050305. **Annual Leave Ceilings**

A. **General.** Under 5 U.S.C. § 6304, Federal employees are subject to a limit, or
annual leave ceiling, on the maximum amount of annual leave that may be carried forward into the
next leave year. Most employees may carry 240 hours (30 days) of annual leave from one year to
the next. See 5 C.F.R. 630.302.

B. **“Use or Lose” Annual Leave.** “Use or lose” annual leave is the amount of
leave in excess of the employee’s annual leave ceiling. The employee forfeits excess leave not used
by the final day of the leave year. Forfeited annual leave may be restored under certain
circumstances. See paragraph 050306. “Use or lose” annual leave must be scheduled in writing
before the start of the third pay period prior to the end of the leave year. The employee forfeits any
annual leave not scheduled by that date and not used by the final day of the leave year.

C. **Thirty-Day Annual Leave Ceiling for Federal Employees Stationed Within
the United States.** The maximum carried forward from one leave year to another is usually 240 hours
(30 days). See paragraph 050306 regarding annual leave carryover for DoD employees who are
employed at installations that are facing planned base closures. See 5 U.S.C. § 6304.
D. **Forty-Five Day Annual Leave Ceiling for Federal Employees Assigned Outside of the Continental United States (OCONUS)**

1. **Forty-Five Day Limit and Effective Date.** Employees stationed OCONUS, who meet the conditions for eligibility established by 5 U.S.C. § 6304(b) and 5 C.F.R. 630.302, may carry forward a maximum of 360 hours (45 days). The effective date that an employee becomes subject to 5 U.S.C. § 6304(b) is the:
   
   a. Date of entry on duty when employed locally,
   
   b. Date of arrival at a post of regular assignment for duty, or
   
   c. Date on which the employee begins to perform duty in an area OCONUS when the employee is required to perform duty en route to his post of regular assignment for duty.

2. **Returning From OCONUS Assignment.** Employees returning from an OCONUS assignment may carry forward the balance of leave to their credit at the end of the pay period, including the date the employee departs for reassignment. If detailed to another OCONUS assignment, the date they cease to perform duty at the detailed post is considered the date of departure for reassignment. Annual leave in excess of 240 hours that was accumulated under 5 U.S.C. § 6304(b), by an employee who becomes subject to the 240-hour maximum carry forward, remains to the credit of the employee until used. Excess annual leave at the beginning of the first full pay period occurring in a leave year is reduced by the amount of annual leave the employee used during the preceding year that is in excess of the amount that accrued during that year. This process continues until the employee’s accumulated leave does not exceed 240 hours.

E. **Annual Leave Ceiling for Part-Time Employees.** Part-time employees may not carry forward more than 240 hours of annual leave if serving in the United States or 360 hours of annual leave if serving OCONUS. See 5 C.F.R. 630.304.

F. **Ninety-Day Annual Leave Ceiling for SES Members**

1. **General.** Under 5 U.S.C. § 6304(f), the annual leave ceiling for SES members is 720 hours (90 days). Unused annual leave accrued by SES members must accumulate for use in subsequent years until the leave totals not more than 720 hours at the beginning of the first full pay period, or corresponding period for an employee whose pay is not based on a pay period, occurring in a calendar year. See 5 C.F.R. 630.301(e).

2. **Personal Leave Ceiling for SES Members.** There is a 90-day (720-hour) maximum limitation on the amount of annual leave that an SES member may carry forward from one leave year to the next. The 720-hour limit became effective October 13, 1994, under Public Law 103-56. Prior to this date, there was no limit. Effective October 13, 1994, any SES member who had accumulated annual leave that exceeded 720 hours was permitted to carry the balance forward as a personal leave ceiling. See 5 C.F.R. 630.301(h).
3. **Changing Positions**

   a. **Partial Pay Periods.** If an employee serves less than a full pay period in an SES appointment, only that portion of accrued annual leave that is earned while serving in that position must be subject to the 720-hour limitation. Annual leave accrued during the remainder of the pay period is subject to the limitations in 5 U.S.C. § 6304(a), (b), and (c), as appropriate. See 5 C.F.R. 630.301(f)(2).

   b. **Moving to an SES Appointment.** If an employee moves from a non-SES appointment to an SES appointment, any annual leave accumulated in the non-SES position that exceeds the amount allowed for that position under 5 U.S.C. § 6304(a), (b), and (c) that is not used by the beginning of the first full pay period in the next leave year is subject to forfeiture. See 5 U.S.C. § 6304(c) and 5 C.F.R. 630.301(f)(1). Although an employee serving in an SES position may not accumulate credit hours, credit hours earned in a prior non-SES appointment may remain in the employee's account for use.

   c. **Moving From an SES Appointment.** When the SES member moves to a non-SES position, any annual leave accumulated while serving in the SES position that is in excess of the amount allowed for the non-SES position under 5 U.S.C. § 6304(a), (b), and (c) remains to the employee's credit. Any excess annual leave must be subject to reduction as described under 5 U.S.C. § 6304(c) and 5 C.F.R. 630.301(g).

   *050306. Restoring Forfeited Annual Leave*

   A. **General.** Agencies may restore annual leave that was forfeited due to being in excess of the maximum leave ceilings (e.g., 30, 45, or 90 days) if the leave was forfeited because of administrative error, exigency of the public business, or sickness of the employee.

   1. The agency makes the determination as to what constitutes an administrative error.
2. Exigency of the public business means there is an urgent need for the employee to be at work such that excess annual leave cannot be used. An employee’s use of earned compensatory time off or credit hours does not constitute an exigency of the public business. If the use of earned compensatory time off or credit hours that are about to expire results in the forfeiture of excess annual leave, the forfeited leave may not be restored.

3. An employee’s sickness or injury must occur late in the leave year or be of such duration that it prevented the scheduling of the excess annual leave before the end of the leave year. See the OPM Fact Sheet, Restoration of Annual Leave.

B. Requirements for Restoring Annual Leave. One of the following requirements must be met before consideration for restoration of forfeited leave:

1. 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 pay period prior to the end of the leave year; and

2. If restoration is based on exigency of the public business, the determination that an exigency is of major importance and that annual leave may not be used must be made by the head of an activity no lower than a major field headquarters or major field installation. See 5 C.F.R. 630.305.

C. Time Limit for Using Restored Annual Leave

1. General. Under 5 C.F.R. 630.306, and except as otherwise authorized by regulation, annual leave restored under 5 U.S.C. § 6304(d) must be scheduled and used not later than the end of the leave year ending 2 years after:

   a. The date of restoration of the annual leave forfeited because of administrative error;

   b. The date fixed by the agency head, or his or her designated official, as the termination date of the exigency of the public business that resulted in forfeiture of the annual leave; or

   c. The date the employee is determined to be recovered and able to return to duty if the leave is forfeited because of sickness or injury.

2. Time Limits for SES Members. To avoid forfeiture of restored leave, the time limit established under 5 C.F.R. 630.306 must be met. The time limit is not changed when the employee receives an SES appointment.

3. Extended Exigency of the Public Business. For an extended exigency of the public business, the time period for use of restored leave is 2 years for each calendar year, or part thereof, during which the exigency existed. This time period starts at the beginning of the leave year.
year following the leave year in which the exigency is declared to be ended. Under 5 C.F.R. 630.309,
an extended exigency is one that threatens the national security, safety, or welfare; lasts more than 3
calendar years; affects a segment of an agency or occupational class; and precludes subsequent use
of both restored and accrued annual leave within the time limit specified in 5 C.F.R. 630.306.

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. A new time limit for using
all restored leave available to the employee will be established at the end of the national
emergency, or when the services of the employee no longer are determined to be necessary. See
5 C.F.R. 630.311.

*  D. Separate Leave Account for Restored Annual Leave. The payroll system
must maintain separate restored leave accounts for each calendar year. The HRO identifies the
reason for restoration as well as the category of leave being restored. The HRO then provides the
information to the CSR in writing. Credit restored annual leave to a separate leave account
identifying the date of restoration, the date of forfeiture, the amount credited for use, the amount of
usage, and the unused balance. Restored annual leave is not included in, and does not increase, the

E. Time and Attendance Reports. Timekeeping instructions in Chapter 2
specify the method used to identify the leave account to be charged.

*  F. Forfeiture of Restored Annual Leave. If restored leave is unused by the
employee at the expiration of the time limitation, the leave is forfeited with no further right to
restoration. This is the case even if the employee’s failure to use the leave was due to an agency
error. Administrative error may not serve as the basis to extend the time limit in which to use the
restored leave. Administrative error includes failing to establish a separate leave account, failing to
fix the date for the expiration of the time limit, or failing to properly advise the employee regarding
the rules for using the restored annual leave.

G. Lump-Sum Payment. Upon separation, the PRO will pay employees entitled
to lump-sum payment for their unused restored annual leave, excluding forfeited leave. If the leave
is forfeited because of an administrative error, the employee must file a claim within 3 years of the
discovery of the administrative error leading to the forfeiture. See 5 U.S.C. § 6304(e). Employees
entering active duty in the Armed Forces may elect to have leave remain to their credit until their
return from active duty. See 5 U.S.C. § 5552 and Chapter 3, section 0307.

H. Restored Annual Leave Resulting from Correction of Unjustified or
Unwarranted Personnel Action Under the Back Pay Act. Annual leave that is restored to an
employee resulting from the correction of an unjustified or unwarranted personnel action in excess
of the maximum leave accumulation authorized by law must be credited to a separate leave account
for use by the employee. See \(5\,\text{C.F.R.}\, 550.805(g)\). The restored leave, also referred to as reinstated leave, must be scheduled and used as provided in subparagraphs 050306.H.1 and 050306.H.2. Any unused restored leave, also referred to as reinstated leave, will be forfeited if not used within the prescribed timeframe. See \(5\,\text{U.S.C.}\, \S\, 5596(b)(1)(B)\). The restored leave must be scheduled and used as follows:

1. **Full-Time Employees.** Excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year ending 2 years after the date on which the leave is credited to the separate account. This period is extended by 1 leave year for each additional 208 hours of excess annual leave or any portion thereof. See Table 5-2.

2. **Part-Time Employees.** These employees must schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee’s scheduled tour of duty over a period of 52 calendar weeks by the end of the leave year ending 2 years after the date that the annual leave credits to the separate account. This period is extended by one leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the scheduled tour of duty over a period of 52 calendar weeks. See Table 5-2.

I. **Base Realignment and Closure (BRAC) Restored Leave.** In accordance with \(5\,\text{U.S.C.}\, \S\, 6304(d)(3)\), employees assigned to DoD activities designated by the BRAC Commission for closure or realignment, deemed to create an exigency of the public business, are entitled to have forfeited annual leave restored. The PRO will restore leave in excess of the statutory maximum (normally 240 hours) and place in a separate leave account. There is no requirement for an employee to use restored leave prior to using other available annual leave. Lump-sum payment of annual leave in a BRAC restored leave account is required under certain situations. Under \(5\,\text{U.S.C.}\, \S\, 5551(c)\), lump-sum payments are made to eligible DoD employees upon their being assigned to a position in any other Federal agency or department outside the DoD, or to any DoD position at an installation that is not being closed or realigned. If it is determined that the required lump-sum payment was not processed at the time of transfer, then see \textit{DoDI 1400.25-V1705} for additional information on liquidating leave and computing any interest due.

050307. **Lump-Sum Payments of Annual Leave Upon Retirement or Separation.**

Lump-sum payments for unused annual leave are generally payable when an employee separates from Federal service, dies, or transfers to a position under a different leave system. Employees who enter active duty in the Armed Forces are entitled to elect to have their leave remain to their credit until they return from active duty. See \(5\,\text{U.S.C.}\, \S\, 5551, 5552,\) and 6306; and \(5\,\text{C.F.R.}\, 550,\) \textit{subpart L}. For details on requirements regarding lump-sum payments for accumulated and accrued annual leave, see Chapter 3, section 0307.
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0504 SICK LEAVE

050401. General

Under 5 U.S.C. § 6307 and 5 C.F.R. 630, subparts B and D, sick leave is authorized for personal medical needs, care of a family member, care of a family member with a serious health condition, adoption-related purposes, and bereavement. See paragraph 050404 for authorized uses for sick leave.

A. Expanded Family and Medical Leave Policies. The Federal Employees Family Friendly Leave Act, October 22, 1994, expanded the use of accrued sick leave for family care or bereavement purposes. See subparagraph 050404.B. In addition, employees may be entitled to unpaid leave under FMLA to care for a family member or covered Service member. See section 0505. There is no certain order for using various family friendly leave policies. See Table 5-3 for information on leave flexibilities available to care for a family member or a covered Service member. See section 0506 for information on leave flexibilities for childbirth, adoption, and foster care.

B. Substituting Sick Leave for Annual Leave. Employees may substitute sick leave for annual leave if they become ill during a period of annual leave. See 5 C.F.R. 630.406.

C. Charging Sick Leave. The PRO posts earned sick leave to an employee’s record each pay period before any sick leave taken in that period is charged against the employee’s sick leave balance.

050402. Sick Leave Accrual

A. General. Full-time employees earn 4 hours of sick leave for each full pay period. Other employees accrue sick leave at different rates as follows:

1. Uncommon Tours of Duty. Employees working uncommon tours of duty accrue leave in direct proportion to the standard leave rates for employees who accrue leave based on an 80-hour biweekly tour of duty. See 5 C.F.R. 630.210(a). To determine the appropriate amount of sick leave to credit an employee working an uncommon tour of duty, see the Application of the Directionally Proportional Table in DoDI 1400.25-V630. For example, employees on uncommon tours of duty accrue 7 hours and 12 minutes of sick leave per pay period for a 72-hour workweek and 5 hours and 36 minutes of sick leave per pay period for a 56-hour workweek.

2. Part-Time Employees. Part-time employees earn 1 hour of sick leave for each 20 hours in a pay status. Part-time employees may not earn more than 4 hours of sick leave for 80 hours in a pay status during any pay period.

3. Other Employees. SES members and SL/ST employees earn sick leave at the same rate as non-SES employees. Employees without a regularly scheduled tour of duty do not earn sick leave.
B. **Nonpay Status and Sick Leave Accrual.** The accumulation of nonpay status hours during the leave year may affect the accrual of sick leave. Each time the number of hours in a nonpay status in a full-time employee’s leave year equals the number of base pay hours in a pay period, the civilian payroll system reduces the employee’s credits for sick leave by an amount equal to the amount of sick leave the employee earns during the pay period. When the employee’s accumulated nonpay hours do not require a reduction of leave credits, the civilian payroll system drops the nonpay hours at the end of the employee’s leave year. An employee in a nonpay status due to receiving compensation from the OWCP, or in a nonpay status due to absence while in Uniformed Service, does not accrue sick leave and a reduction in leave credits is not required. See 5 C.F.R. 630.208.

C. **Limitation on Sick Leave Accrual.** An employee may accumulate an unlimited amount of sick leave. See 5 U.S.C. § 6307.

D. **Presidential Appointees.** Executive Schedule employees appointed by the President do not accrue leave. See 5 U.S.C. § 6301(2)(x) and 5 C.F.R. 630.211. When an employee moves to an appointment under the Executive Schedule, the PRO certifies the employee’s sick leave balance on a **Standard Form (SF) 1150**, Record of Leave Data. The SF 1150 is sent to the Human Resources Office for retention in the Official Personnel Folder in the event the employee is reemployed in a leave accruing position or separated from the Executive Schedule position. SES Members appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule may elect to retain certain SES benefits, including annual and sick leave accrual. See 5 C.F.R. 317.801.

050403. **Recrediting Sick Leave After Transfer or Break in Service**

A. **Transferring Employees.** When an employee transfers to a different Federal agency using the same leave system under 5 U.S.C., Chapter 63, the losing agency must certify the employee’s sick leave account to the gaining agency for credit or charge. If the employee is transferred to an agency operating under a different leave system, see 5 U.S.C. § 6308 and 5 C.F.R. 630.502.

B. **Recredit After a Break in Service.** Prior to 1994, regulations provided that an employee was entitled to a recredit of sick leave only if he or she was reemployed in another Federal position within 3 years after separation. On December 2, 1994, the 3-year break in service limitation on the recredit of sick leave for former employees was removed for those who were reemployed on or after December 2, 1994. Sick leave may not be recertified to employees who were reemployed in the Federal service before December 2, 1994, and who previously forfeited sick leave under the former rule. Therefore, under 5 C.F.R. 630.502, an employee who has a break in service and returns to work for the Federal Government on or after December 2, 1994 is entitled to the recredit of sick leave, regardless of the length of the break in service, unless:

1. The employee was reemployed in the Federal Government before December 2, 1994 and the employee forfeited the sick leave under the previous regulation; or

2. For reemployed annuitants, the sick leave was used in the
computation of an annuity for the employee. See 5 C.F.R. 630.407.

050404. Authorized Uses for Sick Leave

A. Granting Sick Leave. Pursuant to 5 C.F.R. 630.401, an agency must grant sick leave to an employee when the employee:

1. Is unable to perform duties because of physical or mental illness, injury, pregnancy, or childbirth;

2. Is receiving medical, dental, or optical examination or treatment;

3. Must provide care for a family member:
   a. Who is incapacitated by a medical or mental condition, or attends to a family member receiving medical, dental, or optical examination or treatment;
   b. With a serious health condition; or
   c. Who would jeopardize the health of others by that family member’s presence in the community because of exposure to a communicable disease (as determined by the health authorities having jurisdiction or by a health care provider);

4. Must make arrangements due to a death in the family or attend the funeral of a family member;

5. Would jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease; or

6. Must be absent from duty for purposes relating to the adoption of a child.

B. Using Accrued Sick Leave to Care for Family Members

1. General. An employee is entitled to use accrued sick leave to care for a family member. A family member includes spouse, parents, parents-in-law, children, siblings, grandparents, and other family members as defined under 5 C.F.R. 630.201. An employee may be requested to document their relationship with the family member. An employee must request advanced approval for sick leave, to the extent possible, for caring for a family member, making arrangements necessitated by the death of a family member, attending the funeral of a family member, or for absence related to the adoption of a child. See 5 C.F.R. 630.404. In addition to using paid sick leave to care for a family member, an employee may be entitled to unpaid leave under the FMLA. See Table 5-3.
2. **Limits Per Year**

   a. **General Care of Family Member and/or Bereavement.** A covered full-time employee may use a total of up to 104 hours (13 days) of accrued sick leave each year for general family care or for bereavement. For part-time employees and employees with an uncommon tour of duty, the amount of sick leave permitted for family care and bereavement purposes is the number of hours of sick leave the employee normally accrues during the leave year. See 5 C.F.R. 630.401(b).

   b. **Care of a Family Member With a Serious Health Condition.** Most Federal employees may use a total of up to 480 hours (12 administrative workweeks) of accrued sick leave each leave year to care for a family member with a serious health condition. A serious health condition includes cancer, stroke, severe injuries, Alzheimer’s disease, pregnancy, and other conditions as defined under 5 C.F.R. 630.1202. An employee is entitled to a total of 12 weeks of sick leave each year for all family care purposes. See 5 C.F.R. 630.401(c) and (d).

      (1) For a part-time employee or an employee with an uncommon tour of duty, the amount of sick leave is equal to 12 times the average number of hours in the employee’s scheduled tour of duty each week.

      (2) For an employee who has previously used any portion of the 13 days of sick leave for family care or bereavement purposes in a leave year, the PRO must subtract that amount from the 12-week entitlement.

      (3) For an employee who has already used 12 weeks of sick leave to care for a family member with a serious health condition, the employee cannot use an additional 13 days in the same leave year for general family care purposes.

   C. **Sick Leave for Adoption.** An employee may use accrued sick leave for purposes related to the adoption of a child including appointments with adoption agencies, social workers, attorneys, court proceedings, required travel, and any other activities necessary to allow the adoption to proceed. This includes the time the employee is ordered by a court, or required by the adoption agency, to take time off from work to care for the child. There is no limit on the amount of sick leave that may be used for adoption-related purposes. The sick leave for adoption-related purposes does not count toward the 104-hour limit of sick leave for family care and bereavement purposes, or the overall limit of 12 weeks of sick leave for all family care purposes. The agency may advance up to 240 hours (30 days) of sick leave for adoption-related purposes. See 5 C.F.R. 630.401 and section 0505 regarding FMLA leave for adoption-related purposes.

   D. **Sick Leave for Exposure to a Communicable Disease.** An employee is authorized to use accrued sick leave if health authorities or a health care provider determines that the employee's presence on the job would jeopardize the health of others because of exposure to a communicable disease. An employee may also use sick leave to care for a family member who has been similarly exposed. The agency determination as to what constitutes a communicable disease is based on guidance issued by the Center for Disease Control (CDC). The Secretary of Health and Human Services publishes a list of communicable diseases for which Federal isolation
and quarantine are authorized. The communicable diseases currently listed include, but are not limited to cholera, diphtheria, infectious tuberculosis, plague, smallpox, Severe Acute Respiratory Syndrome and influenza viruses that cause or have the potential to cause a pandemic. The current list of communicable diseases is available on the CDC website for use in the authorization of this type of sick leave. See 5 C.F.R. 630.401.

050405. Advanced Sick Leave

   A. General. In cases of serious disability or illness, employees may be advanced sick leave. Before granting advanced sick leave, the approving authority must consider whether the employee expects to return to duty, the need for the employee’s services, and the benefits to the agency of retaining the employee. Advanced sick leave is not available to an employee when it is known, or reasonably expected, that the employee will not return to duty. For example, advanced sick leave is not appropriate if the employee has applied for disability retirement. Advanced sick leave may be granted regardless of an employee’s annual leave balance. Employees should submit requests in writing for advanced sick leave to the approving official. Employees must liquidate the advanced sick leave indebtedness as discussed in subparagraph 050405.C. See 5 C.F.R. 630.402.

   B. Limitations. The maximum amount of advanced sick leave a full-time employee may have to their credit at any one time is 240 hours (30 days). Prorate the amount of advanced sick leave for part-time employees and employees on uncommon tours of duty based on the number of hours in the employee’s biweekly work schedule. An agency may grant advanced sick leave in the amount of:

   1. Up to 240 hours (30 days) to a full-time employee for the following reasons pursuant to 5 C.F.R. 630.402(a)(1):

      a. The employee is unable to perform work duties due to incapacitation by physical or mental illness, injury, pregnancy, or childbirth;

      b. The employee or a family member has a serious health condition;

      c. The employee’s presence on the job would jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease;

      d. The employee adopts a child; or

      e. The employee cares for a covered Service member with a serious injury or illness, provided the employee is exercising his or her entitlement to FMLA leave to care for the covered Service member; or

   2. Up to 104 hours (13 days) to a full-time employee for the following reasons (5 C.F.R. 630.402(a)(2)):

      a. To receive medical, dental, or optical examinations or
treatment;

b. To provide care for a family member incapacitated by a medical or mental condition, or to attend to a family member receiving medical, dental, or optical examination or treatment;

c. To provide care for a family member who would jeopardize the health of others by their presence in the community because of exposure to a communicable disease; or

d. To make arrangements necessitated by the death of a family member or attend the funeral of a family member.

C. Liquidating Advanced Sick Leave Indebtedness

1. General. Advanced sick leave indebtedness is liquidated by subsequently earned sick leave, by charges against annual leave, or by a refund upon separation. An employee who is a participant in the agency’s Voluntary Leave Transfer Program (VLTP) or Voluntary Leave Bank Program (VLBP) may liquidate the advanced sick leave by substituting donated annual leave for sick leave that was advanced on or after the date of the medical emergency. See 5 C.F.R. 630.906. The agency may also allow an employee to refund advanced sick leave in cash, at the pay rate in effect at the time the employee used the advanced sick leave.

2. Transferring Employees. If an employee with a debt for advanced sick leave transfers to another Federal agency without a break in service, the losing agency must certify the employee’s sick leave account to the receiving agency for charge. An employee is not required to refund the advanced sick leave in order to achieve a zero balance before transfer. A negative sick leave balance transfers to the gaining agency. See Chapter 9, section 0903 for instructions on preparing the SF 1150 to transfer sick leave balances.

3. Separated Employees. If an employee indebted for advanced sick leave separates from Federal service, the employee must refund the amount of advanced sick leave, or the agency may deduct the amount from any pay due the employee upon separation. If the employee dies, retires for disability, or separates or resigns because of disability as determined by the agency, the repayment requirement does not apply. An employee who enters active military service with a right of restoration is not considered separated for refund purposes, and advanced sick leave should be liquidated either after the employee returns to duty or is separated from Federal service. See 5 C.F.R. 630.209.
050406. Unused Sick Leave Upon Separation

Employees are not paid for unused sick leave upon separation. Unused sick leave is used in the calculation of an employee or survivor's annuity based on retirement with an immediate annuity or a death in service. The PRO must show the unused sick leave balance upon retirement or death in the remarks column of the **SF 2806**, Service History on the Civil Service Retirement System (CSRS) Individual Retirement Record, or the **SF 3100**, Federal Employees Retirement System Individual Retirement Record. See 5 C.F.R. 630.209. Sick leave used in the computation of an annuity is charged against an employee’s sick leave account and may not thereafter be used, transferred, or recredited. See 5 U.S.C. § 8415(l)(2), 5 U.S.C. § 8339(m), and 5 C.F.R. 630.407.

0505 FMLA

050501. General

FMLA provides eligible Federal employees with up to 12 administrative workweeks of leave without pay (LWOP) during any 12-month period for family and medical needs. See 5 U.S.C. §§ 6381 to 6387 and 5 C.F.R. 630, subpart L (Note: OPM is responsible for the regulations for Title II of the FMLA that govern Federal employees. The Department of Labor (DOL) is responsible for regulations under Title I of the FMLA for the non-Federal sector). For definitions pertaining to FMLA, see 5 U.S.C. § 6381 and 5 C.F.R. 630.1202.

A. Entitlement. To qualify for FMLA leave, an employee must have completed at least 12 months of Federal service. See 5 C.F.R. 630.1201(b). FMLA leave is available to full and part-time employees; however, temporary employees serving under an appointment of 1 year or less and employees without a regularly scheduled tour of duty are not entitled to FMLA leave. A total of up to 12 administrative workweeks of unpaid leave, or 26 administrative workweeks if the leave is to care for a covered Service member, are available during any 12-month period. The 12-month period begins when FMLA leave is first used and ends 12 months later. An employee may elect to substitute annual leave, sick leave, educator leave, or leave made available to the employee under VLTP or VLBP for LWOP. See 5 C.F.R. 630.1205. The normal leave year limitations on the use of sick leave to care for a family member still apply, except when substituting sick leave to care for a covered Service member.

B. Calculating the FMLA Entitlement. FMLA leave is available in direct proportion to the number of hours in the employee’s regularly scheduled administrative workweek. The PRO must calculate the 12 administrative workweeks of FMLA on an hourly basis, which equals 12 times the average number of hours in the regularly scheduled administrative workweek. For example, an 80-hour full-time employee will have 480 hours available for FMLA leave (40 hours per week x 12 weeks = 480 hours). If the employee’s administrative workweek varies from week to week, the PRO must use a weekly average of the hours scheduled over the 12 administrative workweeks prior to the date FMLA leave begins for the calculation. Holidays and non-workdays that occur during the period that the employee is on FMLA do not count toward the 12 administrative workweek entitlement. See 5 U.S.C. § 6382 and 5 C.F.R. 630.1203.
C. Regular FMLA Leave. Under 5 C.F.R. 630.1203(a), an eligible employee may take 12 workweeks of FMLA leave in a 12-month period for one or more of the following reasons:

1. The birth of a child, or to care for the newborn child within 1 year of birth (may not be taken intermittently);

2. Placement of a child adopted, or foster care, and to care for the newly placed child within 1 year (may not be taken intermittently);

3. Care of a spouse, son, daughter, or parent with a serious health condition (may be taken intermittently);

4. Serious health condition that makes the employee unable to perform their duties (may be taken intermittently); or

5. A qualifying exigency arising out of the fact that the employee’s spouse, son, daughter, or parent is a covered military member on covered active duty (or notified of an impending call or order) in the Armed Forces under 10 U.S.C. § 101. Leave may be taken intermittently. Employees must provide notice as soon as practicable if the need for leave is foreseeable. An employee may be requested to provide certification for the leave as provided under 5 C.F.R. 630.1209. See the OPM Fact Sheet, FMLA Qualifying Exigency Leave. Under 5 C.F.R. 630.1204, qualifying exigencies include:

   a. Addressing issues associated with short-notice deployment,
   b. Attending military events and related activities,
   c. Arranging and attending childcare and school activities,
   d. Making financial and legal arrangements,
   e. Attending counseling,
   f. Spending time with a Service member on rest and recuperation,
   g. Attending post-deployment activities, or
   h. Addressing other events that arise out of the military member’s covered active duty that qualify as exigencies.

D. FMLA Leave to Care for a Covered Service Member. An employee is eligible for 26 workweeks of unpaid leave during a single 12-month period to care for a covered Service member, who is a current member or veteran of the Armed Forces as defined under 5 U.S.C. § 6381, with a serious injury or illness. The covered Service member must be the
employee’s spouse, son, daughter, parent, or next of kin. See the OPM guidance in Compensation Policy Memoranda 2010-06, issued March 5, 2010, for additional information regarding the following:

1. The injury or illness incurred by the Service member was in the line of duty while on active duty in the Armed Forces.

2. During a single 12-month period, an employee is entitled to a combined total of 26 weeks of regular FMLA leave and FMLA leave to care for a covered Service member. For example, if during the 12-month period the employee takes 6 weeks of regular FMLA leave for the birth of a child, the employee would have 20 weeks of FMLA leave to care for a covered Service member.

3. Use of FMLA leave to care for a covered Service member in one 12-month period does not limit the use of regular FMLA leave during any other subsequent 12-month period.

4. The normal leave year limitations on the use of sick leave to care for a family member do not apply. Specifically, the 480-hour (12 weeks) limitation per leave year on the use of sick leave to care for a family member with a serious health condition does not apply. The employee may substitute accrued sick leave or annual leave for any or all of the 26 workweeks of FMLA leave to care for a covered Service member. See 5 C.F.R. 630.403. An eligible employee may potentially take leave for up to 38 weeks of leave. For example, an employee may take 12 weeks of sick leave to care for a family member with a serious illness in addition to 26 weeks of FMLA leave to care for a covered Service member.

E. Intermittent FMLA Leave or Reduced Leave Schedule. Under certain conditions, FMLA leave may be taken intermittently, or the employee may work under a work schedule that is reduced by the number of hours of leave taken as FMLA leave. FMLA leave is in addition to other paid time off available to an employee. See 5 C.F.R. 630.1205.

050502. Advance Notice of FMLA Leave and Medical Certification

If FMLA leave is foreseeable, based on an expected birth, placement for adoption or foster care, or planned medical treatment, the employee must provide notice to the agency of his or her intention to take leave not less than 30 calendar days before the date the leave is to begin. See 5 C.F.R. 630.1207. An agency may require that a request for leave under certain circumstances be supported by evidence that is administratively acceptable to the agency. See 5 C.F.R. 630.1208.

0506 LEAVE FLEXIBILITIES FOR CHILDBIRTH, ADOPTION, AND FOSTER CARE

050601. General

A. On January 15, 2015, the President issued memorandum, Modernizing Federal Leave Policies for Childbirth, Adoption and Foster Care to Recruit and Retain Talent and Improve Productivity, a memorandum directing all Federal agencies to:
1. Offer 240 hours of advanced sick leave, at the request of an employee and in appropriate circumstances, in connection with the birth or adoption of a child, or for other sick leave eligible uses (see paragraph 050405); and

2. Offer the maximum amount of advanced annual leave, at the request of an employee, for foster care placement in their home or bonding with a healthy newborn or newly adopted child (see paragraph 050304).

B. Agencies have been directed to provide this advanced leave for purposes specified in law and regulation irrespective of existing leave balances.

050602. OPM Handbook

A. General. OPM has published a Handbook on Leave and Workplace Flexibilities for Childbirth, Adoption, and Foster Care. The handbook contains guidance on the use of advanced sick and annual leave policies as required by the President’s memorandum, and provides information on the various leave entitlements and flexibilities available to assist employees.

B. Utilization of Leave Flexibilities. The Handbook is divided into three sections; each section addresses the specific circumstance of the employee related to:

1. Pregnancy and childbirth,

2. Adoption and foster care, and

3. Information on the interaction of the various leave programs and workplace flexibilities and how they can be used together.

0507 BONE MARROW OR ORGAN DONOR LEAVE

The use of up to 7 days (56 hours) of paid leave in a calendar year, in addition to sick or annual leave, to serve as a bone marrow donor, or up to 30 days (240 hours) of paid leave in a calendar year to serve as an organ donor is authorized under 5 U.S.C. § 6327. The directly proportional rule applies to an employee whose leave is administered on other than an 80-hour pay period. See DoDI 1400.25-V630. An individual having bone marrow removed and stored for their future personal use is not considered a donor and the benefit of 7 days of paid time off does not apply. In such a case, the employee must use sick leave, annual leave, or advanced annual and sick leave.

0508 FEDERAL LEAVE SHARING PROGRAMS

The VLTP allows Federal employees to donate annual leave to other employees who have personal or other family medical emergencies and who have exhausted their own leave. Alternatively, the VLBP allows members with medical emergencies to withdraw leave from the bank if they exhaust their own leave. Each agency has established its own method of administering
these programs and employees may participate in both programs. Additionally, an Emergency Leave Transfer Program (ELTP) has been established to transfer annual leave from donors to employees in other agencies who are adversely affected by disasters or emergencies.

* 050801. VLTP

In accordance with 5 U.S.C. § 6332 and 5 C.F.R. 630, subpart I, Federal employees may donate unused accrued annual leave directly to a specified employee (leave recipient) who needs leave because of a medical emergency and who has exhausted his or her available paid leave. Medical emergency is defined as a medical condition of an employee or a family member of an employee that is likely to require the employee to be absent from duty for a prolonged period, of at least 24 work hours, and result in a substantial loss of income to the employee because of the unavailability of paid leave. See 5 C.F.R. 630.902.

A. Leave Donors

1. General. A leave donor is an employee who makes a request to transfer annual leave to the annual leave account of a leave recipient. Leave donors may not contribute to an immediate supervisor. The annual leave donated must be accrued and available at the date of donation.

2. Maximum Donation Amount. Maximum limitations exist for the amount of leave an employee may donate in any one leave year. See 5 C.F.R. 630.908. Each agency shall establish written criteria for waiving the limitations on donating annual leave.

   a. In the case of the donor having annual leave projected which will not be forfeited at the end of the leave year (i.e. donors with no “use or lose” annual leave), the maximum amount of annual leave that may be donated is one-half of the amount of annual leave the leave donor would be entitled to accrue during the leave year in that the donation is made; or

   b. In the case of the donor having annual leave projected to be forfeited at the end of the leave year (i.e. donors who have “use or lose” annual leave), the maximum amount of annual leave that may be donated is the lesser of one-half of the amount of annual leave the donor would be entitled to accrue during the leave year in which the donation is made, or the number of hours remaining in the leave year, as of the date of the transfer, for which the donor is scheduled to work and receive pay.

B. Leave Recipients

1. General. A leave recipient is a current employee approved by the employing agency to receive annual leave from the annual leave accounts of one or more leave donors. There is no limit on the amount of donated annual leave a leave recipient may receive.

2. Limits on Use of Donated Leave. A leave recipient may use the donated leave transferred to his or her annual leave account under 5 C.F.R. 630.906 only for the purpose of a medical emergency for which the leave recipient was approved. See 5 C.F.R. 630.909.
Substitution of donated leave is permitted for a prior period of LWOP or to liquidate a debt for advanced annual or sick leave. Donated leave may not be included in a lump-sum payment for annual leave. The PRO may not recredit donated leave to a former employee who returns to Federal service. See 5 C.F.R. 630.906 and 630.909.

3. **Requirement to Exhaust Accrued Annual and Sick Leave.** Except for leave placed in a separate leave account (set aside leave account), any annual or sick leave accrued or accumulated by the leave recipient and available for the medical emergency must be exhausted before any donated leave may be used. See 5 C.F.R. 630.909. However, this does not apply to a recipient who:

   a. Sustains a combat-related disability while a member of the Armed Forces, including a reserve component of the Armed Forces; and

   b. Is undergoing medical treatment for that combat-related disability (see 5 U.S.C. § 6333(b)(2)); or

   c. Exhausts a total of 12 weeks of sick leave for family care purposes. If an employee applies to receive donated leave for a medical emergency affecting a family member and the employee has already exhausted the 12 weeks of sick leave for family care purposes in that leave year, he or she would not be required to exhaust his or her sick leave balance before being eligible for donated leave.

4. **Leave Recipient’s Accrual of Annual and Sick Leave.** A leave recipient may earn annual and sick leave while using donated leave, but only up to 40 hours of each type. In the case of a part-time employee or employee with an uncommon tour of duty, the employee may earn up to the average number of hours in the employee’s weekly scheduled tour of duty.

   a. **Set Aside Leave Account.** The PRO must place any accrued annual or sick leave earned by the leave recipient in a separate leave account, referred to as a set aside leave account. The accrued annual or sick leave in the set aside leave account is available for transfer to the leave recipient’s regular leave account after the leave recipient either exhausts all donated leave or the medical emergency ends. Leave in a set aside leave account is not available for use until transferred to the leave recipient’s regular leave account. See 5 C.F.R. 630.907.

   b. **Intermittent Use of Donated Leave and Accrued Leave.** Leave accruals for an employee who uses donated leave intermittently must be prorated between the regular leave account and the set-aside leave account until it reaches the maximum accrual or the medical emergency ends. Accruals are prorated based on the number of hours of donated leave used within the pay period.

C. **Interagency Transfers of Donated Leave.** Under 5 C.F.R. 630.909(f), an agency must accept the transfer of annual leave from the leave donors employed by other agencies when any of the following conditions are met:

   1. A family member of a leave recipient is employed by another agency
and requests the transfer of annual leave to the leave recipient;

2. If, in the judgment of the leave recipient’s employing agency, the amount of annual leave transferred from leave donors employed by the leave recipient’s employing agency may not be sufficient to meet the needs of the leave recipient; or

3. If, in the judgment of the leave recipient’s employing agency, acceptance of leave transferred from another agency would further the purpose of the VLTP.

D. Restoring Transferred Leave to the Donor. Upon termination of the medical emergency, any unused donated leave must be transferred pro rata back to each donor. See 5 C.F.R. 630.911. The leave is not restored if the leave donor retires, dies, or separates from Federal service before the date the unused transferred annual leave can be restored. If returned to the leave donor’s account, the leave is treated the same as other annual leave and becomes subject to the “use or lose” carryover limitations. Each donor may elect how the leave is to be recredited from the following options:

1. Crediting the donated annual leave to the donor’s annual leave account in the current leave year;

2. Crediting the donated annual leave to the donor’s annual leave account effective as of the first day of the first leave year beginning after the date of election; or

3. Donating it, in whole or part, to another leave recipient.

050802. VLBP

Under the VLBP at 5 U.S.C. § 6361 and 5 C.F.R. 630, subpart J, employees may contribute unused accrued annual leave to their agency’s leave bank for use by other leave bank members who are experiencing a personal or family medical emergency and who have exhausted all available paid leave. Each agency establishes a leave bank board to administer the VLBP. See 5 C.F.R. 630.1003. An employee may participate in both the VLTP and the VLBP in the same agency for the same medical emergency if his or her agency has established both programs. See 5 U.S.C. § 6373 and 5 C.F.R. 630.1013.

A. Leave Bank Members and Minimum Donations. An employee must make an application to become a leave bank member and must contribute a minimum amount of annual leave to the leave bank each year. The minimum donation may not be less than the amount of annual leave the employee normally accrues in a pay period (e.g., 4, 6, or 8 hours). See 5 C.F.R. 630.1004(g) through (i). An employee must make the donation to establish leave bank membership during the annual open enrollment period, or within 30 days of the employee’s appointment to the agency or return from extended absence.
B. Leave Bank Recipients

1. Application and Approval by Leave Bank Board. A leave bank member, or a personal representative on behalf of the employee, who is affected by a personal or family medical emergency must make a written application to the leave bank board in order to become a leave bank recipient. See 5 C.F.R. 630.1006. The board must find that the leave recipient’s absence from duty without paid leave is expected to be at least 24 work hours for a full-time employee, this leave may be intermittent. A part-time employee or employee with an uncommon tour of duty expects to be absent without available paid leave at least 30 percent of the average number of hours in the employee’s biweekly scheduled tour of duty. See 5 C.F.R. 630.1007.

2. Limits on Use of Leave From the Leave Bank. Donated annual leave withdrawn from the leave bank may be used only for the approved medical emergency. A leave recipient may use donated leave retroactively to substitute for a period of LWOP or to liquidate the advanced annual or sick leave that began on or after the date fixed by the leave bank board at the start of the medical emergency. Donated leave may not be included in a lump-sum payment for annual leave. The PRO may not recredit donated leave to a former employee who returns to Federal service. See 5 C.F.R. 630.1009.


4. Leave Bank Recipient’s Accrual of Annual and Sick Leave. A leave bank recipient may earn annual and sick leave while using donated leave, but only up to 40 hours of each type. In the case of a part-time employee or employee with an uncommon tour of duty, the employee may earn up to the average number of hours in the employee’s weekly scheduled tour of duty. See 5 C.F.R. 630.1008.

   a. Set Aside Leave Account. The PRO must place any accrued annual or sick leave earned by the leave bank recipient in a separate leave account, referred to as a set aside leave account. The accrued annual or sick leave in the set aside leave account is available for transfer to the leave recipient’s regular leave account after the leave recipient either exhausts all donated leave or the medical emergency ends. Leave in a set aside leave account is not available for use until transferred to the leave recipient’s regular leave account. See 5 C.F.R. 630.1008.

   b. Intermittent Use of Donated Leave and Accrued Leave. Leave accruals for an employee who uses donated leave intermittently must be prorated between the regular leave account and the set-aside leave account until the maximum accrual is reached or the medical emergency ends. Accruals are prorated based on the number of hours of donated leave used within the pay period.

C. Termination of the Medical Emergency. The PRO must return any unused leave withdrawn from the leave bank and not used before the termination of the leave recipient’s medical emergency to the leave bank. The medical emergency of the leave recipient terminates when the following occurs:
1. The leave recipient’s Federal service is terminated;

2. The leave recipient leaves the agency or participating organization, unless determined otherwise by the leave bank board;

3. At the end of the pay period in which the leave recipient provides written notice that the medical emergency is over;

4. At the end of the pay period in which the leave bank board determines, after written notice to the leave recipient and opportunity for response, that the medical emergency is over; or

5. At the end of the pay period in which the agency receives notice that the leave recipient has been approved for disability retirement.

D. Transferring Between Agencies

1. If an employee moves between an agency operating a leave bank to another agency operating a different leave bank, the following procedures apply:

   a. On the date the employee moves to the new agency, the employee will become subject to the policies and procedures of the new agency’s leave bank.

   b. The employee’s right to submit an application to become a leave contributor or leave recipient in accordance with the new agency’s policies and procedures of the leave bank must not be restricted by 5 C.F.R. 630.1010(a)(2) or (b).

2. See 5 C.F.R. 630.1015 for similar procedures for transfers between an agency covered by a VLBP and an agency covered by a VLTP.

050803. ELTP

A. Authority. Title 5, U.S.C. § 6391 and 5 C.F.R. 630, subpart K provide that in the event of a major disaster or emergency, as declared by the President, resulting in severe adverse effects for a substantial number of Federal employees, the President may direct OPM to establish an ELTP. Such disasters or emergencies involve loss of life or property, serious injury, or mental illness because of a direct threat to life or health. Under the ELTP, an employee in an executive agency may donate annual leave for transfer to employees of the employing agency or to employees in other agencies adversely affected by such disaster or emergency.

B. Establishing ELTP Program. OPM will notify agencies of the establishment of an ELTP for a specific disaster or emergency, as declared by the President. Immediately after a disaster or an emergency, agencies can typically grant excused absence or advanced annual leave or sick leave as appropriate to affected employees. Once notified, each agency affected by the disaster or emergency is authorized to:
1. Determine the amount of donated annual leave needed by affected employees;

2. Approve emergency leave donors and/or emergency leave recipients within the agency, as appropriate;

3. Facilitate the distribution of donated annual leave from approved emergency leave donors to approved emergency leave recipients within the agency; and

4. Determine the period of time that donated annual leave may be accepted for distribution to approved emergency leave recipients.

C. ELTP Leave Donor. An employee may voluntarily submit a written request to transfer a specified number of hours of their accrued annual leave to the employing agency’s ELTP using OPM Form 1638, Request to Donate Annual Leave Under the ELTP. The donor may not contribute less than 1 hour nor more than 104 hours of annual leave in a leave year. Each agency may establish written criteria for waiving the 104-hour limitation per employee for donating annual leave in a leave year. After the initial 1 hour donation, leave may be donated in 15-minute increments. A donor may not donate annual leave for transfer to a specific emergency leave recipient; rather it goes to the ELTP bank. Annual leave donated to an ELTP is not applied against limits on donations of annual leave to a VLBP or VLTP. See 5 C.F.R. 630.1109 and 630.1110.

D. ELTP Leave Recipient

1. Eligibility. An employee, as defined in 5 U.S.C. § 6331(1), who has been adversely affected by a major disaster or emergency may receive donated leave under the ELTP. An employee who has a family member adversely affected by a disaster or emergency and does not have reasonable access to other forms of assistance may receive donated leave under the ELTP. An employee is considered adversely affected if the disaster or emergency has caused severe hardship to the employee or family member to such a degree that the employee’s absence from work is required. See 5 C.F.R. 630.1105.

2. Limitation on Amount of ELTP Leave Received. The ELTP recipient may receive a maximum of 240 hours of donated annual leave at any one time for each disaster or emergency. See 5 C.F.R. 630.1111 for exceptions.

3. Application and Notification of Approval/Disapproval. An employee, personal representative, or the agency on the employee’s behalf must make a written application to become an ELTP recipient using OPM Form 1637, Application to Become a Leave Recipient Under the ELTP. Agency written notification of approval or disapproval must be issued to the employee within 10 calendar days (excluding Saturdays, Sundays, and legal public holidays) after the receipt of the application (or a date established by the agency if that date is later). If disapproved, the agency must state the reason(s) for the disapproval. If approved, the agency must specify the major disaster or emergency for which the recipient was approved.

4. Leave Recipient’s Accrual of Annual and Sick Leave. An ELTP
recipient is not required to exhaust his or her accrued annual or sick leave before receiving donated leave under the ELTP. Annual and sick leave will continue to accrue to the credit of the recipient at the same rate as if the recipient were in a paid leave status.

5. **Limitations on Use of ELTP Leave.** Donated leave must be used only for the purposes related to the approved disaster or emergency for which the leave recipient was approved. Donated ELTP leave may be substituted retroactively by the recipient for any period of LWOP used because of the adverse effects of the disaster or emergency. ELTP leave may be used to liquidate indebtedness incurred by the ELTP recipient for any advanced annual or sick leave used due to the adverse effects of the disaster or emergency. The PRO must transfer the leave if the recipient transfers to another agency without a break in service. The ELTP leave transferred to a recipient may not be included in a lump-sum payment upon separation or entry into active duty, recredited to a former employee reemployed by a Federal agency, or used to establish eligibility for immediate retirement or to continue health benefits into retirement. See 5 C.F.R. 630.1113 and 630.1114.

E. **Insufficient Agency ELTP Donated Leave.** If a Federal agency does not have sufficient donated leave to meet the needs of its approved emergency leave recipients, then the agency must notify OPM. OPM will coordinate a government-wide transfer of annual leave from donating agencies to affected agencies for crediting to their emergency leave recipients. The OPM Form 1639, Transfer of Donated Annual Leave To or From the ELTP, is used for the purpose of donating or receiving annual leave from other agencies. OPM will facilitate the transfer of donated leave to/from agencies. See 5 C.F.R. 630.1112. In addition, an agency’s VLBP under 5 U.S.C., Chapter 63, with the concurrence of the leave bank board, may also donate annual leave to the employing agency’s ELTP or another agency’s ELTP. See 5 C.F.R. 630.1104.

F. **Procedures Upon Termination of Disaster or Emergency**

1. **Determining Termination of Disaster or Emergency.** The disaster or emergency ends when OPM or the agency determines the termination or the recipient’s Federal service terminates. See 5 C.F.R. 630.1116. The emergency terminates at the end of the pay period when:

   a. The recipient or his or her personal representative notifies the agency that the recipient is no longer affected by the disaster or emergency;

   b. The agency determines that the emergency leave recipient is no longer affected by such disaster or emergency (see 5 C.F.R. 630.1116(d) for notice requirements); or

   c. The recipient’s agency receives notice that OPM has approved an application for disability retirement.

2. **Recrediting Donated Leave to Donors and Leave Banks.** When a disaster or emergency affecting an emergency leave recipient terminates, the PRO must return any unused ELTP leave to the emergency leave donors, or if donated by a leave bank, to the leave bank.
The ELTP administrator will determine the amount of remaining annual leave to be restored to each emergency leave donor who, on the date of the leave restoration, is employed by a Federal agency. The unused ELTP leave returned must be proportional to the amount of annual leave donated by the employee (or leave bank) to the ELTP for such disaster or emergency. Annual leave donated to an ELTP for a specific disaster or emergency may not be transferred to another ELTP established for a different disaster or emergency. An emergency leave donor may request the agency restore unused donated annual leave by crediting the leave to the leave donor’s annual leave account in either the current leave year, or on the first pay period of the following leave year. See 5 C.F.R. 630.1117.

0509 NON-APPROPRIATED FUND (NAF) TRANSFER OF LEAVE UNDER EMPLOYEE BENEFITS PORTABILITY PROGRAM

050901. General

In accordance with 5 U.S.C. §§ 5551(a), 6308(b), and 6312, an employee who transfers from a NAF position to an appropriated fund (APF) position, or the reverse, without a break in service of more than 3 days must transfer their entire annual and sick leave balances to the gaining employment office. The employee must not be paid for any accrued hours of annual leave. Leave will be administered in accordance with the rules of the gaining employment system (APF or NAF). The PRO credits the employee with the full amount of leave even in those cases where the employee may receive a higher rate of pay from the gaining employment system (APF or NAF). See DoDI 1400.25-V1401, Personnel Policy for NAF Instrumentalities, and the OPM Benefits Officers Center.

050902. Annual Leave Accrual Rates

Employees who move between DoD NAF and civil service positions without a break in service of more than 3 days receive service credit for annual leave purposes. Service in the losing employment system (civil service or NAF) is credited when determining the appropriate leave accrual rate. The employee’s leave accrual rate is applied in exactly the same manner, regardless of whether the move is voluntary or involuntary, and regardless of the direction of the move, civil service to NAF or NAF to civil service.

0510 COMPENSATORY TIME

051001. General

Compensatory time off means time off in lieu of overtime pay for irregular or occasional overtime work. One hour of compensatory time off is granted for each hour of overtime. At the request of an employee, the head of an agency may grant an eligible employee compensatory time off from the employee’s scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. Compensatory time off must be granted to an employee within a reasonable time after the overtime is worked. See 5 U.S.C. §§ 5542, 5543, 5544, 6122, 6123, 6127, and 6128; 5 C.F.R. 550.114; and 5 C.F.R. 551.531.
051002. Eligible Employees

A. Fair Labor Standards Act (FLSA) Exempt and Nonexempt Employees. Compensatory time off may be approved in lieu of overtime for irregular or occasional overtime work for both FLSA exempt and FLSA nonexempt (i.e. FLSA covered) employees who meet the definition of employee under 5 U.S.C. § 5541(2). An agency may require that an FLSA exempt employee with a rate of basic pay the rate of General Schedule-10, step 10 receive compensatory time off for irregular or occasional overtime.

B. Prevailing Rate Employees. Compensatory time off may be approved for prevailing rate employees (wage employees), as defined at 5 U.S.C. § 5342(2). There is no requirement to compensate a prevailing rate employee irregular or occasional overtime by granting compensatory time off.

C. Flexible Work Schedules. Compensatory time off may be approved (but not required) in lieu of regularly schedule overtime only for employees (including prevailing rate employees) who are ordered to work overtime hours under flexible work schedules. See 5 U.S.C. § 6123(a)(1).

051003. Forfeiture of Unused Compensatory Time Off

A. FLSA Exempt Employees. The time limit for using compensatory time is 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 fails to take the compensatory time within 26 pay periods, or who transfers to another agency or separates from service before the compensatory time expires, must:

1. Receive payment for unused compensatory time at the overtime rate in effect when earned; or

2. Forfeit the unused compensatory time unless failure to use the compensatory time is due to an exigency of the service beyond the employee’s control. An FLSA employee whose compensatory time off was forfeited due to an exigency of service beyond the employee’s control must receive payment for the unused compensatory time at the overtime rate in effect when earned. See 5 C.F.R. 550.114.

B. FLSA Nonexempt (FLSA Covered) Employees. The time limit for using compensatory time is the end of the 26th pay period after the pay period when it was earned. If the FLSA nonexempt employee fails to take the compensatory time within 26 pay periods, or the employee transfers to another agency or separates from Federal service before the compensatory time expires, pay the earned compensatory time off at the overtime rate in effect when earned. See 5 C.F.R. 551.531.

C. National Guard Technicians. National Guard technicians are not paid for unused compensatory time worked. Compensatory time must be used by the end of the 26th pay period after it is earned or it will be forfeited. See 32 U.S.C. § 709(h).
051004. Separation or Transfer

When a DoD employee separates or transfers to another DoD Component or Federal agency before the expiration of the 26th pay period time limit, unused compensatory time balances must be paid at the overtime rate in effect when the compensatory time was earned. Title 32 National Guard technicians forfeit any unused compensatory time when they separate or transfer to another DoD Component or Federal agency.

051005. Compensatory Time Off for Religious Observances

An employee whose personal religious beliefs require not working during certain periods may elect to work compensatory time for the time lost to meet those religious requirements. See 5 U.S.C. § 5550a and 5 C.F.R. 550, subpart J. An employee who works compensatory time for religious reasons must be granted equal compensatory time off from the scheduled tour of duty. The employee may work the compensatory overtime before or after the grant of compensatory time off. The PRO must credit compensatory overtime to the employee on an hour for hour basis, or authorized fraction thereof. See 5 C.F.R. 550.1002. See Chapter 3, section 0303 for additional information regarding compensatory time off for religious reasons.

051006. Compensatory Time Off for Travel

An employee may earn compensatory time off for travel for time spent in travel status away from the employee’s official duty station. An employee may earn compensatory time off for travel only for hours that are not otherwise compensable. Because an employee is entitled to their rate of basic pay for travel during basic (non-overtime) holiday hours, an employee may not earn compensatory time off for travel during holiday hours. See 5 C.F.R. 550, subpart N; the OPM Fact Sheet, Compensatory Time Off for Travel; and 5 U.S.C. § 5550b.

A. Eligible Employees. 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 FLSA of 1938, as amended. The definition includes employees in SL and ST positions, but not members of the SES. Prevailing rate (wage) employees are eligible for compensatory time off for travel.

B. Employees Who Receive Availability Pay. Availability pay is premium pay paid to Federal law enforcement officers who are criminal investigators required to work substantial amounts of unscheduled duty. See 5 C.F.R. 550.181.

1. When Travel Hours Are Not Eligible. For availability pay recipients, travel hours are not eligible for compensatory time off if the hours are compensated by basic pay, regularly scheduled overtime hours creditable under 5 U.S.C. §§ 5542 or 5543, or unscheduled duty hours. Unscheduled duty hours means either irregular overtime hours, or the first 2 overtime hours on a day containing part of the employee’s basic 40 hour workweek without regard to whether the hours are unscheduled or regularly scheduled, or any approved non-work availability hours. See 5 C.F.R. 550.182(a), (c), and (d). An availability pay recipient may not earn compensatory time off
for travel during unscheduled duty hours because the employee is entitled to availability pay for those hours. Compensatory time off for travel is earned only for hours not otherwise compensable.

2. When Travel Hours Are Eligible. For availability pay recipients, travel hours are eligible for compensatory time off for travel when the employee is required to travel on a non-workday or on a regular workday (in excess of the basic workday) and the travel does not meet one of the four criteria listed under 5 U.S.C. § 5542(b)(2)(B) and 5 C.F.R. 550.112(g)(2). In such cases, since the travel time is not compensable as overtime hours of work for regular overtime or availability pay, the employee may earn compensatory time off subject to the exclusions specified in 5 C.F.R. 550.1404(b)(2) and the requirements in 5 C.F.R. 550.1404(c), (d), and (e). See 5 U.S.C. § 5542(b)(2)(B) and 5 C.F.R. 550.112(g)(2) for information regarding when travel time is compensable as overtime hours of work.

C. Creditable Travel Time. To be creditable, travel time must be for work purposes and must be approved by an authorized agency official or otherwise authorized under agency policy. Once the employee arrives at a temporary duty station, the employee is not considered to be in a travel status just because he or she is away from the official duty station. In other words, do not credit the time spent at a temporary duty station between arrival and departure as time in a travel status. Time in travel status includes:

1. Time an employee actually spends traveling between the official duty station and a temporary duty station;

2. Time an employee spend traveling between two temporary duty stations; and

3. The usual waiting time that precedes or interrupts such travel, such as waiting at an airport or train station for departure. This does not include any extended or unusual waiting time between actual period of travel when the employee is free to rest, sleep, or otherwise use the time for his or her own purposes.

D. Deducting Commuting Time

1. Travel Between Home and Temporary Duty Station (or Transportation Terminal) Outside of Official Duty Station Limits. Time spent traveling directly between home and a temporary duty station (or transportation terminal) outside the limits of the employee’s official duty station is creditable as travel time. However, the agency must deduct from such travel hours the time the employee would have spent in normal home-to-work or work-to-home commuting (the commuting time offset). See 5 C.F.R. 550.1404.

2. Between Home and Transportation Terminal Within Official Duty Station Limits. Time spent traveling outside of regular work hours between home and to or from a transportation terminal that is within the official duty station as part of travel away from that duty station is considered equivalent to commuting time and is not creditable travel time. See 5 C.F.R. 550.1404(d).
3. **Between Worksite and Transportation Terminal Within Official Duty Station Limits.** Time spent traveling outside of regular work hours between the employee’s worksite and a transportation terminal is creditable travel time, and no commuting time offset applies.

E. **Crediting Compensatory Time Off for Travel.** An employee must comply with the procedures for requesting credit of compensatory time off for travel. Within five workdays after returning to the official duty station, the employee must submit his or her travel itinerary, or any other documentation acceptable to the employee’s supervisor, in support of a request for credit for the compensatory time off. Upon receipt of a proper and complete request from the employee, the agency must credit the employee with compensatory time off for creditable time in a travel status. The agency may authorize credit in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). There is no limit on the amount of compensatory time off for travel an employee may earn. Agencies must track and manage compensatory time granted for time in a travel status separately from other forms of compensatory time off.

F. **Use of Accrued Compensatory Time Off for Travel.** An employee must request permission from his or her supervisor to schedule the use of his or her accrued compensatory time off in accordance with agency-established policies and procedures. Compensatory time off for travel may be used when the employee is granted time off from scheduled tour of duty established for leave purposes. An employee must use earned compensatory time off in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). If the employee elects to use earned compensatory time off for travel instead of using excess annual leave, there is no legal authority to restore an employee’s forfeited annual leave.

G. **Forfeiture of Unused Compensatory Time Off for Travel**

1. **Forfeiture.** Compensatory time off for travel is forfeited in following circumstances. See 5 C.F.R. 550.1407.

   a. **Not Used Within 26 Pay Periods.** Compensatory time off for travel is forfeited unless it is used by the end of the 26th pay period after the pay period it was credited.

   b. **Upon Transfer or Separation.** When an employee voluntarily transfers to another agency or separates from Federal service, any unused compensatory time off for travel is forfeited. Agency means an Executive agency as defined in 5 U.S.C. § 105 (e.g., DoD). An employee does not receive a lump-sum payment for accrued compensatory time off for travel upon separation from an agency.

   c. **Upon Movement to Non-Covered Position.** Compensatory time off for travel is forfeited when the employee transfers to a non-covered position (such as to the U.S. Postal Service).

2. **Exceptions to the 26 Pay Period Limit**
**a. LWOP.** Special circumstances apply when an employee has unused compensatory time off for travel and the employee separates from Federal service or is placed on LWOP status under the following circumstances. If the employee later returns to service with the same agency, the employee must use all of the compensatory time off by the end of the 26th pay period following the pay period that the employee returns to duty, otherwise the compensatory time off is forfeited. See 5 C.F.R. 550.1407(a)(2). **LWOP status under this provision is as follows:**

1. **LWOP to Perform Uniformed Service.** The employee separates or is placed on LWOP status to perform service in the Uniformed Services, as defined in 38 U.S.C. § 4303 and 5 C.F.R. 353.102, and later returns to service through the exercise of a reemployment right provided by law, Executive order, or regulation.

2. **LWOP for Work Injury.** The employee separates or is placed on LWOP status because of an on-the-job injury with entitlement to injury compensation under 5 U.S.C., Chapter 81 and later recovers sufficiently to return to work.

**b. Exigency.** If an employee fails to use compensatory time off for travel within 26 pay periods after earned due to an exigency of the service beyond the employee’s control, an authorized agency official may extend the time limit for using such compensatory time off for up to an additional 26 pay periods. See 5 C.F.R. 550.1407(e).

**H. Prohibition Against Payment for Unused Compensatory Time Off for Travel.** As provided by 5 U.S.C. § 5550b(b), an individual must not receive payment under any circumstances for any unused compensatory time off for travel earned under 5 C.F.R. 550, subpart N. This prohibition against payment also applies to surviving beneficiaries of deceased employees.

**I. Inapplicability of Premium Pay and Aggregate Pay Caps.** Accrued compensatory time off for travel is not considered when applying the premium pay limitations established under 5 U.S.C. § 5547 and 5 C.F.R. 550.105 through 550.107 or the aggregate limitation of pay established under 5 U.S.C. § 5307 and 5 C.F.R. 530, subpart B. There is no pay cap limitation on the amount of compensatory time off for travel an employee may earn.

**0511 HOLIDAY LEAVE**

**051101. General**

Employees must be in a pay status or a paid time off status (e.g., leave, compensatory time off, compensatory time off for travel, or using credit hours) on their scheduled workdays either before or after a holiday in order to be entitled to regular pay for a holiday. Employees in a nonpay status for the workdays immediately before and after the holiday may not receive compensation for that holiday.

**051102. Work Schedules**

A. **Full-Time Employees.** Regular full-time employees who are not required to work on a holiday receive their regular straight-time pay, including night and shift differential.
1. **Flexible Work Schedule.** A full-time employee on a flexible work schedule, who is prevented from working on a holiday, or an in lieu of holiday, is entitled to 8 hours of holiday leave for each holiday. See *5 U.S.C. § 6124*. Employees under flexible work schedules are credited with 8 holiday hours even if they would otherwise work more hours on that day.

2. **Compressed Work Schedule.** A full-time employee on a compressed work schedule who is prevented from working on a holiday, or an in lieu of holiday, is entitled to holiday leave for the number of hours of the compressed work schedule for the employee on that day. See *5 U.S.C. § 6121(5)*. For example, if a holiday falls on a 9 or 10 hour basic workday, the employee's holiday is 9 or 10 hours, respectively. See *5 C.F.R. 610.406*.

B. **Part-Time Employees.** Part-time employees receive their regular pay for holidays that fall on their regularly scheduled workdays; this does not include overtime work. When a holiday falls on a part-time employee’s non-workday, there is no entitlement to pay for an in lieu of holiday. When prevented from working because the activity is closed due to an in lieu of holiday, the part-time employee may either be placed in an appropriate leave category or be excused, placed on administrative leave, without loss of pay for the number of hours they are regularly scheduled to work on that day. See *DoDI 1400.25-V610*. For more information on part-time employees, see the OPM Fact Sheet, *Federal Holidays - Work Schedules and Pay*.

1. **Flexible Work Schedule.** A part-time employee on a flexible work schedule who is prevented from working on a holiday is entitled to leave for the number of hours they would have worked but for the holiday, not to exceed 8 hours. See *5 C.F.R. 610.405*.

2. **Compressed Work Schedule.** A part-time employee prevented from working on a holiday is entitled to leave for the number of hours of the compressed work schedule on that day. See 5 C.F.R. 610.406.

C. **Intermittent Employment.** Intermittent employees, including experts and consultants, means employees without a regularly scheduled tour of duty. Intermittent employees receive compensation only when work is actually performed.
0512 CREDIT HOURS

051201. General

Credit hours are any hours within a flexible schedule established under 5 U.S.C. § 6122 that are in excess of an employee’s basic work requirement and that the employee elects (consistent with agency policy) to work to vary the length of a workweek or a workday. Credit hours are distinguished from overtime hours in that they are not officially ordered and approved in advance by management. See 5 U.S.C. § 6121-6126.

051202. Requirements for Earning and Using Credit Hours

A. Earning Credit Hours. Only full-time and part-time employees under flexible work schedules may earn credit hours. SES members may not earn credit hours. See 5 C.F.R. 610.408. Credit hours may be earned only within the flexible time bands established by the agency or union agreement. Work hours that count toward the employee’s basic work requirement should not be considered credit hours. Credit hours are those hours that are in excess of the employee’s basic work requirement (8 hours in a day, 40 hours in a week, or 80 hours in the pay period). There is no legal authority to advance credit hours to an employee. See 5 U.S.C. § 6121(4).

B. Using Credit Hours. Credit hours must be used within the tour of duty. Credit hours must be earned and used in the same increments as other absences with pay.

051203. Accumulation

A full-time employee may accumulate up to 24 credit hours to be carried forward for credit against a later pay period. The 24 credit hours carried forward must be accounted for the same as other types of absences with pay. See 5 U.S.C. § 6126.

051204. Part-Time Employees

A part-time employee under a flexible work schedule may earn credit hours. A part-time employee may carry forward credit hours from one pay period to a subsequent pay period, in an amount equal to 25 percent of the biweekly scheduled hours of work. See 5 U.S.C. § 6126(a).

051205. Payment for Credit Hours

Generally, an employee receives no additional pay for credit hours. When used by the employee, credit hours are considered a part of the basic work requirement (non-overtime work) in the pay period that they are applied. An employee is entitled to his or her basic rate of pay for any credit hours used. However, upon separation from Federal service, or when an employee is no longer subject to a flexible work schedule program or transfers to another employing activity (provided the agency and Major Claimant/Command changes), any accumulated credit hours must be liquidated/paid at the employee’s current hourly rate. For full-time employees, not more than 24 accumulated credit hours may be paid. For part-time employees, accumulated credit hours may be paid in an amount that is not more than 25 percent of the employee’s scheduled hours. See 5 U.S.C.
§ 6126(b). Premium pay limitations under 5 U.S.C. § 5547 do not apply to payment for credit hours even though the limits apply to payments for unused compensatory time off.

051206. Entitlement

A. Overtime. An employee must not use credit hours to increase the entitlement of overtime pay. No overtime pay or compensatory time off will be paid when employees earn credit hours or when credit hours are liquidated when Federal service ends. See 5 U.S.C. §§ 6123(b) and 6126.

B. Sundays. An employee will not be paid Sunday pay when earning credit hours on a Sunday. Sunday premium pay is limited to 8 hours for each regularly scheduled basic tour of duty that begins or ends on Sunday. Since credit hours may only be earned when employees work in excess of their regularly scheduled basic work requirement, Sunday premium pay may not be paid when employees earn credit hours on Sunday. Neither may employees receive Sunday premium pay if they use credit hours in order to be absent from regularly scheduled Sunday work. Employees may not receive Sunday premium pay for any period of time they do not actually perform work on a Sunday.

C. Nights. An employee must not be paid night pay when credit hours are earned at night. Night pay is authorized for work performed at night during an employee’s regularly scheduled tour of duty. See 5 U.S.C. § 5545(a). Since employees who earn credit hours are not performing regularly scheduled work, they may not be paid night pay for credit hours earned at night. Neither may employees be paid for credit hours used at night to be absent from the employee’s basic tour of duty. There is no provision of law or regulation permitting night pay to be paid when credit hours are used to be absent from regularly scheduled night work. Credit hours are considered as daytime hours. For example, when an employee’s schedule includes daytime and nighttime hours, credit hours are applied only to the daytime portion of the schedule. See 5 U.S.C. § 6123(c). For requirements on entitlement to night differential when credit hours are earned by prevailing rate (wage) employees and employees under 38 U.S.C (Title 38 employees), see 5 U.S.C. § 6123(c)(2).

D. Holidays. An employee may not earn additional compensation or credit hours for voluntarily working during holiday hours. If permitted by agency policy or negotiated agreements for union members, supervisors may approve requests from employees working under flexible work schedules to earn credit hours for work in excess of their basic work requirement on a holiday. Full-time employees under flexible work schedules are excused from 8 hours of their basic work requirement because of a holiday. See 5 U.S.C. § 6124. If an employee is scheduled to complete 9 or 10 hours of basic work requirement on a holiday, the agency may permit the employee to use previously accrued credit hours or annual leave in order to be absent with pay during the ninth and tenth hours.

E. Excused Absences. An employee may not earn credit hours during excused absences, such as a weather emergency. If employees work during the hours of their basic work requirement, despite being excused from work, they are not entitled to additional compensation or credit hours. However, if permitted by policy or negotiated agreements, a supervisor may approve a request from an employee to earn credit hours for work in excess of their basic work requirement.
on a day when an excused absence is granted.

F. Training. An employee cannot earn credit hours for training required by an agency.

051207. Biweekly Pay Period

There is no limit on the accumulated number of credit hours during the biweekly pay period, subject to a supervisor’s approval. Any credit hours worked in a pay period that exceeds the 24-hour maximum carryover will be forfeited if not used during that pay period. Credit hours must be earned before they are used. Employees may carry forward only 24 credit hours into the succeeding pay period. Credit hours under a maxi-flex schedule may be used during the pay period that they are earned.

0513 TIME OFF AS AN INCENTIVE AWARD

As authorized by 5 U.S.C. § 4502(e), a time-off award may be granted in lieu of cash. See 5 C.F.R. 451.101 through 451.107. A time-off award is an absence with pay without charge to leave. See Chapter 3, section 0311.

0514 EXCUSED ABSENCE (ADMINISTRATIVE LEAVE)

051401. General

Excused absence is an absence from duty, administratively authorized, without loss of pay and without charge to leave. Excused absence is also referred to as administrative leave. Agencies have discretionary authority to grant excused absence to the extent that it does not interfere with agency operations. Periods of excused absence are considered part of an employee’s basic workday even though the employee does not perform regular duties. The following are some of the more common situations in which agencies generally excuse absence without charge to leave. See DoDI 1400.25-V630 for additional situations.

051402. Blood Donation

Employees serving as blood donors may be excused from work without charge to leave for the time necessary to donate the blood, for recuperation following blood donation, and for necessary travel to and from the donation site. This provision does not cover an employee who gives blood for his or her personal use or receives compensation for giving blood.

051403. Closure of Installations or Activities

Administrative leave may be granted when employees are prevented from working due to extreme weather conditions or other severe disruptions.

051404. Tardiness and Brief Absence
If an employee is unavoidably or necessarily absent for less than one hour, or tardy, the agency, for adequate reason, may excuse the employee without charge to leave. See 5 C.F.R. 630.206.

051405. Registering and/or Voting

Excusal from duty for a reasonable period of time is authorized for registering and/or voting in any election. Generally, excuse employees from duty to permit them to report for work 3 hours after the polls open or to leave work 3 hours before the polls close, whichever results in the lesser amount of time off. Employees on flexible work schedules may only be excused for those hours that are not accommodated by their flexible schedules.

051406. Taking Examinations

This applies only to examinations given by or taken at the request of the employing activity. Excuse employees, without charge to leave or loss of pay, for all examinations required for converting to career-conditional appointments or for required noncompetitive examinations within the same employing activity.

051407. Attending Conferences or Conventions

Employees may be excused to attend conferences or conventions when it is determined that the attendance will serve the best interest of the Federal service. Such absences may be restricted to those situations that the employee is an official representative of the organization involved or is a contributor on the agenda. Employees may not be excused to attend conferences or conventions of political parties or partisan political groups or committees.

051408. Representing Employee Organizations

Representative leave hours must be reported using three separate categories. The categories are negotiations, grievance and appeals, and on-going labor and management committees. Absence charged as representative leave may be subject to the provisions of local negotiated agreements and/or supervisory approval. See 5 C.F.R. 551.424.

051409. Official Duty Status Funerals of Fellow Federal Law Enforcement Officers or Federal Firefighters

A Federal firefighter or Federal law enforcement officer may be excused from duty without charge to pay or leave in order to attend the funeral of a fellow Federal firefighter or Federal law enforcement officer who was killed in the line of duty. See 5 U.S.C. § 6328. When excused from duty, attendance at the funeral service is considered as official duty for the firefighter or officer. Under 31 U.S.C. § 1345, an agency may pay the expenses of an official or employee of the United States carrying out an official function.

051410. Absence of Veterans to Attend Funeral Services
An eligible employee may be excused from duty to participate as an active pallbearer, a member of a firing squad, or a guard of honor in a funeral ceremony for a member of the Armed Forces whose remains are returned from abroad for final interment in the United States (not to exceed 4 hours in any 1 day). See 5 U.S.C. § 6321.

051411. Excused Absence for Employees Returning From Active Military Duty

A. Entitlement. Pursuant to a Presidential Memorandum of November 14, 2003, a Federal employee is entitled to 5 days of excused absence after he or she returns from active military service in connection with the continuing Overseas Contingency Operations (OCO). Upon receiving notification from a returning employee of his or her intent to return to civilian duty on a specific date, an agency must grant an eligible employee 5 days of excused absence immediately prior to the employee's actual resumption of his or her duties. See the OPM Fact Sheet, 5 Days of Excused Absence for Employees Returning from Military Duty.

B. Usage. The commencement of the 5 days of excused absence represents a return to Federal employment, and the employee is obligated to report for work at the end of the 5-day period. The excused absence is intended to provide returning employees with continuous paid time off to spend with their families before returning to Federal service; therefore, the 5 days must be used consecutively. If the employee does not use all 5 days at once, the remaining days may not be carried over for later use.

C. Eligibility

1. Minimum Service Requirement. An employee must be on active duty in support of the OCO for at least 42 consecutive days to qualify for 5 days of excused absence. An employee does not qualify if the period of active duty is less than 42 days. The 42 days must be consecutively served, and an accumulation of 42 or more nonconsecutive days of active duty does not meet the requirement.

2. Multiple Deployments. An employee deployed on multiple occasions is entitled to receive 5 days of excused absence for each deployment as long as the deployment meets the 42-day requirement and the employee has not received 5 days of excused absence during the previous 365 days.

3. New Employees. A new employee who was not a Federal employee at the time of his or her activation does not qualify for the 5 days of excused absence.

4. Employees With an Uncommon Tour of Duty. The period of excused absence for an employee on an uncommon tour of duty or an employee on a part-time work schedule will be prorated according to the number of hours in the employee's regularly scheduled workweek.
Employees are authorized paid time off (court leave) when summoned to serve as a juror or as a witness in a nonofficial capacity on behalf of any party in connection with any judicial proceeding that the United States, the District of Columbia, or a state or local government is a party. See 5 U.S.C. §§ 6322, 5537, and 5515, and the OPM Fact Sheet, Court Leave.

051502. Summoned While on Annual Leave

If an employee is on annual leave when called for jury duty or witness service, then the PRO may substitute court leave. No charge should be made to annual leave for the court service.

051503. Requirements

An employee who is under summons from a court to serve on a jury should be granted court leave for the entire period, regardless of the number of hours per day or days per week, the employee actually serves on the jury during the period. However, jury service for which an employee is entitled to court leave does not include periods when the employee is excused or discharged by the court, subject to call by the court, for an indefinite period or for a definite period in excess of 1 day. Therefore, an employee may be required to return to duty or be charged annual leave if excused from jury service for 1 day or even a substantial part of a day. However, the employee should not be required to return to work if it will cause a hardship.

051504. Intermittent Employment

Employees hired with no scheduled tour of duty are not eligible for court leave. See 5 U.S.C. § 2105.

051505. FLSA Nonexempt Employees

FLSA nonexempt (e.g., FLSA covered) employees must not have their pay reduced under FLSA due to court leave for jury duty or witness service during their regularly scheduled tour of duty. See 5 U.S.C. § 6322.

051506. Documentation Required

When an employee is called for court service (as a witness or juror), the court order, subpoena, or summons, if one was issued, must be presented to the supervisor as far in advance as possible.

051507. Jury Duty Service Payment

Employees may not retain fees paid for jury duty service. If an employee performs jury duty service for a state or local court and the employee is paid jury duty fees, the fees must be collected from the employee as provided under subparagraph 051510. Employees who perform jury duty service for the United States or the District of Columbia governments are not paid jury duty fees. See 5 § U.S.C. 5537.
051508. Official Capacity Witness

Employees who perform witness service in an official capacity on behalf of the United States or the District of Columbia government, a state or local government, or a private party must not be paid witness fees, nor must the time served as a witness be charged to court leave or annual leave. The time must be recorded as official duty. If any fees are paid, they must be turned in to the employing activity.

051509. Nonofficial Capacity Witness

An employee is not entitled to court leave if the employee testifies as a witness in a nonofficial capacity on behalf of a private party in a matter that the United States, the District of Columbia, a state, or local government is not a party. The employee must take annual leave or LWOP to serve in such a capacity. Employees are entitled to the fees and expenses related to such witness service.

*051510. Certificate of Attendance and Collection of Fees Paid

A. Amounts Subject to Collection

1. **Fees for Jury Duty or Witness Services.** Unless otherwise allowable under this section, an employee in a pay status may not retain fees received for jury duty or witness services. The employee must submit any fees received to their employing activity in the form of a money order or personal check.

2. **Certificate of Attendance.** A certificate of attendance from the clerk of the court must also be submitted to the employing activity. The certificate of attendance should show the dates of jury duty or witness service and any amount of fees the court paid to the employee. The certificate of attendance should separately identify fees and other allowances or expenses. If the certificate of attendance does not identify allowances separately, then all monies received are considered fees for jury duty or witness services and must be collected.

* 3. **Employee Waiver or Refusal of Fees.** An employee serving on a jury in a state or local court who waives or refuses to accept jury fees is still liable to the U.S. Government for the fees they would have received. Under 5 U.S.C. § 5515, the Federal government is entitled to be reimbursed for any fees available and the employee has no discretion to waive payment of the fees on the government’s behalf. The amount of any waived or refused fees must be collected from the employee as a salary overpayment.
B. **Amounts Not Subject to Collection.**

1. **Allowances or Reimbursement.** The employee may keep reimbursements for expenses received from the court, authority, or party that summoned the employee. Allowances or reimbursement for expenses includes transportation or parking expenses.

2. **Fees that Exceed Compensation.** An employee may keep fees that exceed the employee’s compensation for the days of service.

051511. **Collection of Fees Paid Incorrectly**

If fees are paid incorrectly to an employee who is serving in a nonofficial capacity, then the employee may not retain the fees. The fees must be turned in to the Customer Service Representative (CSR) at the employing activity.

051512. **Holiday**

When a holiday occurs during the time an employee is on jury duty or witness service, the employee may keep the jury duty or witness service fee paid for the holiday.

051513. **Non-Workday**

If called to jury duty on a non-workday, then the employee may keep the fees paid.

051514. **Submission and Crediting of Fees Collected**

Monies submitted to the CSR for fees collected by employees for jury duty or witness service must be accounted for on a DoD *(DD)* **Form 1131**, Cash Collection Voucher. The PRO must credit the appropriation and accounting classification that paid the employee’s salary while the employee was on jury duty or serving as a witness with these monies. See 5 U.S.C. § 5515.

051515. **Employee Absence**

See Table 5-4 for employee absences for court or court-related services.

051516. **Payroll Deduction**

Fees not submitted in a timely manner are subject to payroll deduction. Payroll deductions to collect the fees will be made in the next regular pay period. See 5 U.S.C. § 5515.
0516 SHORE LEAVE

051601. General

Shore leave means paid leave authorized under 5 U.S.C. § 6305(c) and 5 C.F.R. 630, subpart G that is earned by an employee who is regularly assigned to duties onboard an ocean-going vessel. The employee appointed in the civil service can be an officer, crew member, or other employee serving aboard an ocean-going vessel on an extended voyage. An employee is considered to be regularly assigned when his or her continuing duties are such that all or a significant part of them require that they serve aboard an ocean-going vessel. Temporary assignments of a shore-based employee, such as for limited work projects or for training, do not constitute a regular assignment. An eligible officer, crew member, or other employee serving onboard an ocean-going vessel on an extended voyage earns shore leave (5 U.S.C. § 6305(c) and 5 C.F.R. 630.701-704) at a rate not to exceed 1 day for each 15 calendar days of absence on one or more extended voyages.

051602. Extended Voyage

Shore leave is earned by eligible employees who are on an extended voyage. An extended voyage must be at least 7 consecutive calendar days in duration, including voyage-preparation time on board the vessel. See 5 C.F.R. 630.701.

051603. Computing Shore Leave

An employee earns shore leave at the rate of 1 day of shore leave for each 15-calendar days of absence on one or more extended voyages. The master of the vessel will keep a record of the accrual of shore leave for each employee. See 5 C.F.R. 630.703.

A. Officer and Crewmembers. For an employee who is an officer or crewmember, a voyage begins either on the date the employee assumes duties onboard an ocean-going vessel to begin preparation for a voyage or on the date the employee comes aboard when a voyage is in progress. The voyage terminates on the earliest of the following dates:

1. The employee ceases to be an officer or crewmember of the ocean-going vessel, or

2. The employee is released from assigned duties relating to the voyage aboard the ocean-going vessel at the port of origin or port of final discharge.

B. Other Employees. For an employee, other than an officer or crewmember, a voyage begins on the date of sailing and terminates on the earliest of the following dates:

1. The ocean-going vessel returns to a port where the employee will disembark in completion of his or her assignment aboard the vessel, or

2. The employee is released from the assignment aboard the vessel.
051604. Computing Days of Absence

The master of the vessel keeps a record on the use of shore leave for each employee. When computing the days of absence, an agency must use the guidance set out at 5 C.F.R. 630.703(c).

051605. Granting Shore Leave

An employee has an absolute right to use shore leave, subject to the right of the head of the agency to fix the time when shore leave may be used. Shore leave may be granted during a voyage at the written request of the employee. If so requested and denied, the denial must also be in writing. See 5 C.F.R. 630.704.

051606. Minimum Charge

The minimum charge for shore leave is 1 day; additional charges are in whole days.

051607. Time and Attendance Report

The PRO must accept shore leave taken on the time and attendance report.

051608. Limitation

Shore leave is in addition to annual leave, and it may be accumulated for future use without limitation.

051609. Lump-Sum Leave Payment

Shore leave is not included in a lump-sum leave payment.

051610. Terminal Leave

An agency must not grant shore leave to an employee as terminal leave. Terminal leave is an approved absence immediately before an employee’s separation when an agency knows the employee will not return to duty before the date of their separation. The exception to this rule is that an agency must grant shore leave as terminal leave when the employee’s inability to use shore leave was due to circumstances beyond their control and not due to his or her own act or omission.

051611. Forfeiture

Shore leave is forfeited if not granted before:

A. Separation from the service; or

B. An official assignment, other than by temporary detail, to a position in which the employee does not earn shore leave. To the extent administratively practicable, the employing activity must give an employee an opportunity to use the shore leave to their credit either before the
reassignment or not later than 6 months after the date of their reassignment when the employing activity is unable to grant the shore leave before the reassignment.

051612. Transfer

At the time of an employee’s transfer to a position at another employing activity or agency, accumulated shore leave must be transferred if:

A. The employee is entitled to shore leave in the new position, and

B. There is no break in service.

0517 HOME LEAVE

051701. General

Home leave means leave authorized by 5 U.S.C. § 6305(a) and 5 C.F.R. 630.601 and earned by service abroad. Home leave can be earned and granted to eligible employees who have been recruited for overseas duty and who meet the requirements of 5 U.S.C. § 6304(b) for the accumulation of a maximum of 45 days of annual leave. There is no maximum accumulation of home leave. Balances are posted on the SF 1150 for future use.

051702. Earning Home Leave

To determine the rate of accrual for home leave, the computation of service abroad must be completed. When computing service abroad full credit is given for the day of arrival and the day of departure.

A. Computation of Service Abroad. Service abroad means service on or after September 6, 1960, at a post of duty OCONUS and outside the employee's residence if it is in the Commonwealth of Puerto Rico or a territory or possession of the United States. Computation of service abroad:

1. Begins on the date of the employee's arrival at a post of duty OCONUS, or on the date of his entrance on duty when recruited abroad;

2. Ends on the date of the employee's departure from the post for separation or for assignment in the United States, or on the date of his separation from duty when separated abroad; and

3. Includes:

   a. Absence in a nonpay status up to a maximum of 2 workweeks within each 12 months of service abroad,

   b. Authorized leave with pay,
c. Time spent in the Armed Forces of the United States which interrupts service abroad (but only for eligibility, not leave-earning, purposes), and
d. A period of detail.

B. **Earning Rates.** For each 12 months of service abroad, an employee earns home leave at the following rate:

1. An employee who accepts an appointment to, or occupies, a position for which the agency has prescribed the requirement that the incumbent accept assignments anywhere in the world as the needs of the agency dictate earns 15 days.

2. An employee serving with a U.S. mission to a public international organization earns 15 days.

3. An employee serving at a post that payment of a foreign or non-foreign (but not a tropical) differential of 20 percent or more is authorized by law or regulation earns 15 days.

4. An employee not included in 051702.B.1, 2, or 3, who is serving at a post that payment of a foreign or territorial (but not a tropical) differential of at least 10 percent (but less than 20 percent) is authorized by law or regulation, earns 10 days.

5. An employee not included in 051702.B.1, 2, 3, or 4 of this section earns 5 days.

6. An employee not included in subparagraphs 051702.B.1 through 051702.B.5, whose service abroad is interrupted by a tour of duty in the Armed Forces of the United States, for the duration of such tour earns 0 days.

C. **Home Leave Earning Table.** The employee earns home leave under the rates fixed by 5 C.F.R. 630.604 for each month of service abroad. An agency must credit home leave to an employee’s leave account, as earned, in multiples of 1 day as set forth in the table under 5 C.F.R. 630.605.

D. **Varying Rates.** When a change in the employee’s earning rate occurs, the agency must credit the employee with the amount of home leave for the month at the rate that they were entitled to prior to the change.

**051703. Home Leave Usage**

A grant of home leave is at the discretion of the employee’s agency. An agency may grant home leave in combination with other leaves of absence in accordance with established agency policy.
A. **Entitlement.** Except as otherwise authorized by statute, an employee is entitled to home leave only when they have completed a basic service period of 24 months of continuous service abroad. The 24 months of continuous service abroad is a one-time requirement. This basic service period is terminated by a break in service of 1 or more workdays or an assignment (other than a detail) to a position that an employee is no longer subject to 5 U.S.C. § 6305(a). An employee is entitled to home leave upon completion of 12-month overseas assignments in certain areas affected by OCO. See *22 U.S.C. § 4083(a)*.

B. **Limitations.** An agency may grant home leave only under the following circumstances:

1. For use in the **United States**, the Commonwealth of Puerto Rico, or a territory or possession of the **United States**; and

2. During an employee’s period of service abroad, or within a reasonable period after his or her return from service abroad when it is contemplated that the employee will return to service abroad immediately or on completion of an assignment in the **United States**. See 5 U.S.C. § 6305(a)(1) and *5 C.F.R. 630.606*.

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051704. **Charging of Home Leave**

The minimum charge for home leave is 1 day and additional charges are in multiples thereof.

051705. **Indebtedness**

An employee is indebted for the home leave used when the employee fails to return to service abroad after the period of home leave or after the completion of an assignment in the **United States**. However, a refund for this indebtedness is not required when:

A. The employee has completed at least 6 months service in an assignment in the **United States** following the period of home leave;

B. The agency determines the employee’s failure to return was due to compelling personal reasons of a humanitarian or compassionate nature, such as physical or mental health issues, or circumstances of which the employee has no control; or

C. The agency that granted the home leave determines that it is in the public interest not to return the employee to their overseas assignment.

051706. **Transfer and Recredit of Home Leave**

An employee is entitled to have their home leave account transferred or recredited to his or her account when the employee moves between agencies or is reemployed without a break in service of more than 90 days. Home leave is not included in lump-sum leave calculations.
0518 FUNERAL LEAVE

051801. General

Funeral leave is granted to allow an employee to arrange for or to attend the funeral or memorial service for an immediate relative who died of wounds, disease, or injury incurred while serving as a member of the Armed Forces in a combat zone. Title 5, U.S.C. § 6326 and 5 C.F.R. 630, subpart H require an activity to grant an employee funeral leave as is needed and requested, not to exceed 3 workdays. The granting of funeral leave should not cause the employee to lose leave the employee is otherwise entitled to, or lose credit for time or service. The 3 days need not be consecutive, but if not, the employee must furnish the approving authority with satisfactory reasons justifying a grant of funeral leave for nonconsecutive days. Combat zone means those areas determined by the President under the authority of 26 U.S.C. § 112. An activity may grant funeral leave only from a prescribed tour of duty, including regularly scheduled overtime. An immediate relative is an individual with any of the following relationships to the employee:

A. Spouse and their parents;
B. Sons and daughters (including adopted, step, or foster) and their spouses;
C. Parents and their spouses;
D. Brothers and sisters, and their spouses;
E. Grandparents and grandchildren, and their spouses;
F. Domestic partner and their parents, including domestic partners of any individual in paragraph 051801 B. through E; or
G. Any person related by blood or affinity whose close association with the employee was the equivalent of a family relationship. See 5 C.F.R. 630.801-804 and 5 U.S.C. § 6326.

*051802. Official Duty Status

Under 31 U.S.C. § 1345, an agency is authorized to pay the expenses of an official or employee of the United States carrying out an official function as part of the funeral or memorial service. See paragraph 051409 for information concerning the official duty status of an employee in connection with funerals of fellow Federal law enforcement officers or Federal firefighters under 5 U.S.C. § 6328.
CONTINUATION OF PAY (COP) AND OWCP

General

The Federal Employees’ Compensation Act, 5 U.S.C., Chapter 81, provides for the payment of workers’ compensation benefits and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. For information on placing employees who are eligible for COP in a leave status for time lost from work due to injury in excess of the 45 days of COP, see Chapter 6. See also 20 C.F.R. 10 and the DoDI 1400.25-V810.

Use of Leave

An employee may use annual, sick, or advanced leave to cover all or part of an absence due to an injury.

MILITARY LEAVE

Four Types of Military Leave

Eligible employees are entitled to time off with full pay for certain types of active or inactive duty in the National Guard or as a Reserve of the Armed Forces. See 5 U.S.C. § 6323. The four types of military leave are as follows:

A. Leave under 5 U.S.C. § 6323(a) provides employees with 120 hours (15 days) of leave per fiscal year for active duty, active duty training, and inactive duty training. See paragraph 052002.

B. Leave under 5 U.S.C. § 6323(b) provides 22 workdays per calendar year 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. See paragraph 052003.

C. Leave under 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. See paragraph 052004.

D. Leave under 5 U.S.C. § 6323(d) provides that military reserve technicians are entitled to 44 workdays of military leave for duties overseas under certain conditions. See paragraph 052005.


Military leave is available for active duty, active duty training, inactive duty training, funeral honors duty, or engaging in field or coast defense training. See 5 U.S.C. § 6323(a). Eligible
employees are entitled to 120 hours (15 days) of military leave on a fiscal year rather than a calendar year basis. Unused military leave must carry forward to the next fiscal year, not to exceed a maximum balance of up to 30 days. Eligible part-time employees are entitled to military leave on a prorated basis. See 5 U.S.C. § 3401(2). Employees with temporary appointments of 1 year or less or intermittent work schedules are not entitled to military leave, even if the appointments are extended in 1 year increments without a break in service. Employees with appointments exceeding 1 year are entitled to military leave.

A. Receipt of Both Military Pay and Civilian Pay. Employees using military leave under 5 U.S.C. § 6323(a) keep both their military and civilian pay.

B. Crediting Military Leave. At the beginning of each fiscal year (October 1), eligible full-time employees must be credited with 120 hours (15 days) of military leave. Eligible part-time employees must be credited with leave on a prorated basis. The prorated percentage is determined by dividing 40 into the number of hours in the employee’s regularly scheduled workweek during that fiscal year. Any portion of military leave unused at the end of the fiscal year, not to exceed 120 hours (15 days), must be carried forward to the next fiscal year (not to exceed a maximum balance of 240 hours (30 days)). Newly eligible employees and new members of Reserve Components must be credited with the full 120 hours (15 days) (prorated if employed part-time) when entering upon duty or upon joining the Reserve unit. The 120 hours must not be prorated for a partial year for newly eligible employees or new members of the Reserve unit.

C. Crediting Military Leave After Change in a Tour of Duty. If a civilian employee changes their tour of duty from part-time to full-time in the middle of the fiscal year, the PRO must first determine the number of days of military leave used by the employee during that fiscal year. The days of used leave are subtracted from the days authorized under the current tour of duty in the case of an employee who increases the hours in their workweek.

1. Example. An employee worked a 32 hour workweek and was entitled to 96 hours of military leave (120 hours x (32/40 = .8) = 96 hours). The employee used 40 military leave hours before the tour of duty was changed to full-time in the middle of the fiscal year. The employee had a balance of 56 hours. After changing to full-time, the employee's available military leave hours would equal the number of hours on the current full-time tour of duty (120) minus the number of used hours, on the previous tour of duty (40 hours) or 120-40 = 80 remaining hours of military leave.

2. Formula. The formula is as follows:

(military leave hours authorized in current tour) - (military leave hours used from previous tour) = military leave hours available for the remainder of the fiscal year.

D. Charging Leave. Military leave under 5 U.S.C. § 6323(a) is charged on a daily basis, and the minimum charge is 1 hour. Military leave may be taken intermittently, a day at a time, or all at one time, regardless of the number of training sessions. Hours in the regularly scheduled workday that are not chargeable to military leave must be worked or charged to another leave category such as annual leave, LWOP, or compensatory time. No charge is made for non-
workdays at the beginning and end of a period of absence on active military duty. Military leave is not charged for weekends and holidays that occur within the period of service. Under 5 C.F.R. 353.208, an employee performing military service must be permitted to also use any accrued annual leave, earned compensatory time off for travel, or accrued sick leave (consistent with requirements for using sick leave) during military service. An employee may use annual leave, military leave, and earned compensatory time off for travel or sick leave intermittently with LWOP while on active duty or active/inactive duty training.

E. Weekend Drills. Civilian employees whose regular workweek includes Saturday and Sunday may take military leave under 5 U.S.C. § 6323(a) to attend weekend drills.

F. Inactive Duty Training (Drills). Inactive duty training means 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 regular scheduled unit training periods, additional training periods, and equivalent training.

G. Using Carryover Leave. A maximum of 240 hours (30 days) of military leave may be used in any fiscal year. The military leave may be used during one or more periods of military duty during the fiscal year. Employees may take the full 120 hours (15 days) of military leave immediately at the beginning of a fiscal year, even if up to a maximum of 240 hours (30 days) had been taken during the prior fiscal year, and even if the military duty is continuous.


A. Entitlement. There are two conditions under which employees are entitled to an additional 22 workdays of military leave under the provisions of 5 U.S.C. § 6323(b).

* 1. Military Service In Support of a Contingency Operation. Employees who perform full-time military service as a result of a call or order to active duty in support of a contingency operation as defined in 10 U.S.C. § 101(a)(13) are eligible for an additional 22 workdays of military leave.

2. Military Duty In Support of Civil Authorities. Reservists or National Guard members who perform military duty in support of civil authorities in the protection of life and property are eligible for an additional 22 workdays of military leave.

B. Reduction of Civilian Pay for Leave Under 5 U.S.C. § 6323(b). An employee’s civilian pay is reduced (offset) by the amount received by the employee for military service as a member of the Reserves or National Guard for the period the employee is granted military leave under 5 U.S.C. § 6323(b). The military pay to be offset against the civilian pay does not include travel, transportation or per diem paid by the military. If the military pay exceeds the employee’s civilian pay, the employee retains that portion of military pay that exceeds the civilian pay. If the employee uses annual leave or compensatory time, the offset rules do not apply, and the employee receives full military pay and full civilian pay. See 5 U.S.C. § 5519.
C. **Crediting Leave.** The PRO must credit leave to the employee upon each eligible occurrence. Leave remaining at the end of the calendar year may not be carried over into the next calendar year.

D. **Charging Leave.** The 22 workdays (176 hours) are charged on the same basis as annual and sick leave. An employee working an uncommon tour of duty must have this additional leave entitlement adjusted on a pro rata basis. Leave may also be charged to the employee's accrued annual leave or to accrued compensatory time instead of being charged as leave to which the employee is entitled under this subsection. The period of absence may not be charged to sick leave.

052004. **Leave for National Guard of the District of Columbia Under 5 U.S.C § 6323(c)**

Employees who are members of the National Guard of the District of Columbia are entitled to unlimited military leave without loss of pay or leave for each day of a parade or encampment ordered or authorized under *Title 49, District of Columbia Code.* This leave covers each day of service or a portion thereof the National Guard is ordered to perform by the commanding general. See 5 U.S.C. § 6323(c).

A. **Reduction of Civilian Pay for Leave Under 5 U.S.C. § 6323(c).** Under the provisions of 5 U.S.C. § 5519, an employee’s civilian pay is reduced (offset) by the amount received by the employee for military service as a member of the Reserve or National Guard for the period for which the employee is granted military leave under 5 U.S.C. § 6323(c). The military pay to be offset against the civilian pay does not include travel, transportation, or per diem paid by the military. If the military pay exceeds the employee’s civilian pay, the employee may retain that portion of military pay that exceeds the civilian pay. If the employee uses annual leave or compensatory time, the offset rules do not apply and the employee receives full military pay and full civilian pay.

B. **Crediting Leave.** The PROs credit this leave to the employee upon each eligible occurrence. The balances at the end of each calendar do not carry into the next calendar year.

C. **Charging Leave.** The 22 workdays (176 hours) are charged on the same basis as annual and sick leave. An employee working an uncommon tour of duty must have this additional leave entitlement adjusted on a pro rata basis.

052005. **Leave for Military Reserve Technicians (Military Technicians (Dual Status)) Under 5 U.S.C. § 6323(d)**

Under 5 U.S.C. § 6323(d), employees who are defined by *5 U.S.C. § 8401(30)* as military reserve technicians are entitled an additional 44 workdays (352 hours) of military leave in a calendar year. To be eligible, the military reserve technician must be on active duty without pay under *10 U.S.C. §§ 12315, 12301(b), or 12301(d)* for participation in noncombat operations OCONUS, its territories, and its possessions. This military leave does not apply to active duty during...
a war or national emergency declared by the President or the Congress. A copy of the military orders or a statement by the employee’s commanding officer that shows either 10 U.S.C. §§ 12301(b) or 12301(d) authority is required as acceptable evidence that the military duty was performed and was without military pay.

A. No Offset of Civilian Pay. The compensation of an employee granted leave under 5 U.S.C. § 6323(d) will not be reduced by reason of such absence since the employee will be on active duty without pay. An employee will receive the same civilian pay they would have received for regularly scheduled work.

B. Charging Leave. There is no charge for holidays and non-workdays. At the employee’s request, the period the employee is absent to perform service may be charged to the employee’s accrued annual leave or available compensatory time. The period may not be charged to sick leave. See 5 U.S.C. § 6323(d)(2) for additional information. The unused portion of the 44 workdays may not be carried forward to the next calendar year.

052006. Substantiating All Military Leave Charges

To substantiate all types of military leave charges, the employee is required to submit a copy of their military orders or substantiating documentation directing them to report to active military duty. Upon return to civilian status from military leave, the employee is required to submit a certified verification of attendance. If an employee has separate sets of orders or orders that cover separate periods with return to civilian status between the periods covered in the orders, then the military leave must not be charged for the time the employee is returned to civilian status.

052007. Separation From Federal Service and Military Leave

Before a Reservist or National Guard member separates from civilian employment, they are given the chance to use any accrued military leave. If a member takes military leave and then separates, the date the separation is effective must be the date the military leave expires.

052008. FLSA Nonexempt Employees

FLSA nonexempt (e.g., FLSA covered) employees may not have their customary and regular pay, including overtime pay under the FLSA, reduced during periods of military leave. Thus, if overtime pay is a part of the employee's regularly scheduled administrative workweek (not irregular or occasional) the employee is entitled to receive the overtime pay even for pay periods in which military leave is used by the employee. In such a case, the employee's civilian pay will still be offset by the amount received by the employee for military service as provided under 5 U.S.C. § 5519. For example, an employee with a regularly scheduled tour of duty of 144 hours per biweekly pay period (106 hours plus 38 hours of overtime) is entitled to receive pay for all 144 hours while on military leave, provided the civilian pay is offset by military pay pursuant to 5 U.S.C. § 5519.
052009. Additional Information Regarding Absence During Uniformed Service

A. Deemed to be on Leave of Absence. The Uniformed Services Employment and Reemployment Rights Act (USERRA) at 38 U.S.C. § 4316(b)(1) provides that when an employee is absent from employment due to service in the Uniformed Services, the employee is deemed to be on furlough or leave of absence. Service includes:

1. Active duty, active duty for training, initial active duty for training, or inactive duty training;
2. Full-time National Guard duty;
3. A period in which an employee is absent from duty for the purpose of an examination to determine the employee’s fitness to perform any such duty; and

B. Provisions Under 5 U.S.C., Chapter 83 (CSRS). An absence from work to perform military duty for purposes of 5 U.S.C., Chapter 83 ordinarly should be processed as a military separation except during a period of war or national emergency when the provisions of 5 U.S.C. § 8332(g) have been explicitly invoked. Under 5 U.S.C. § 8332(g), an employee who enters on military duty will be granted a leave of absence unless the employee has applied for and received a lump-sum credit under 5 U.S.C., Chapter 83. See 38 U.S.C., Chapter 43 and 5 C.F.R., part 353.

C. Use of Other Leave. Regulations under 5 C.F.R. 353.208 implementing the USERRA provide that an employee performing service with the Uniformed Services must be permitted, upon request, to use any accrued annual leave, military leave, earned compensatory time off for travel, or accrued sick leave (consistent with the statutory and regulatory criteria for using sick leave) during such service. An employee is entitled to use these types of leave intermittently with LWOP while on active duty or active/inactive duty training.

0521 FURLOUGH

052101. General

There are two types of furloughs, shutdown and administrative. In a furlough situation, the PRO must rely on the detailed guidance issued by OPM and the Defense Civilian Personnel Advisory Service (DCPAS). See the OPM Pay and Leave Furlough Guidance and the DCPAS furlough guidance in Contingency Planning Guidance. Furloughs of 30 calendar days or less are covered under adverse action procedures found under 5 C.F.R. 752, subpart D. Furloughs of more than 30 calendar days are covered under reduction in force procedures found under 5 C.F.R. 351, subpart B. Furloughs for SES members are covered in 5 C.F.R. 359, subpart H.
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052102. Shutdown Furlough

A. General. A shutdown furlough (also referred to as an emergency furlough) occurs when funds are not available through an appropriations law or continuing resolution, and an agency no longer has the necessary funds to operate. Unlike an administrative furlough, agencies will not prepare an SF 50 for submission to the PRO at the outset of a shutdown furlough. At the conclusion of a shutdown furlough, OPM will release specific guidance on how to prepare an SF 50 for each individual subject to furlough. See the OPM Guidance For Shutdown Furloughs. During a shutdown furlough, the agency must shut down any activities that are not excepted pursuant to the Antideficiency Act. See 31 U.S.C. § 1341. A furloughed employee cannot volunteer to do their job on a nonpay basis. See 31 U.S.C. § 1342. An employee scheduled for training during a furlough must be placed in furlough status and ordered not to attend the scheduled training. Excepted and exempt employees may continue to work during a shutdown furlough as follows:

1. **Excepted Employees.** Excepted employees are employees who are funded through annual appropriations but who are excepted from the furlough because they are performing work that, by law, may continue to be performed during a lapse in appropriations. Each agency must determine which employees are excepted employees.

2. **Exempt Employees.** Employees are exempt from furlough if not affected by the lapse in appropriations. This includes employees not funded by annually appropriated funds. Employees performing such functions will generally continue to be governed by the normal pay, leave, and other civil service rules.

B. Pay During a Shutdown Furlough

1. **Furloughed Employees.** Congress determines whether furloughed employees receive pay for the furlough period. Furloughed employees receive pay for any hours worked prior to the lapse in appropriations. If a furlough occurs in the middle of a pay period and an employee receives a partial paycheck, the PRO must use the order of precedence listed under Chapter 4, section 0402 in applying deductions.

2. **Excepted Employees.** Excepted employees who perform services during a furlough period will be paid when Congress passes and the President signs a new appropriation or continuing resolution. Excepted employees are permitted to earn premium pay in accordance with applicable rules and subject to relevant pay limitations.

3. **Holidays.** Furloughed employees and excepted employees who do not work on a holiday do not receive pay for a holiday that occurs during a shutdown furlough.

C. **Previously Approved Leave During a Shutdown Furlough.** The Antideficiency Act at 31 U.S.C. § 1341 does not allow for the authorization of any expenditure or obligation before an appropriation is made, unless authorized by law. Paid time off creates a debt that is not authorized by the Act. Therefore, all paid time off during a shutdown furlough must be cancelled. Any unpaid leave under the FMLA that was scheduled to be taken during a shutdown furlough does not count toward the employee’s 12-week FMLA leave entitlement. Military leave
under 5 U.S.C. § 6323 must be cancelled for days covered by the furlough. Excepted employees:

1. Must either be performing excepted activities or be furloughed during any absence from work;

2. May not take previously approved paid time off or be granted new requests for paid time off during a shutdown furlough;

3. May be permitted to earn compensatory time off and credit hours during the shutdown furlough; and

4. Are not permitted to use the compensatory time off or credit hours during the shutdown period.

052103. Administrative Furlough

A. General. An administrative furlough is a planned event by an agency, which is designed to absorb reductions necessitated by downsizing, reduced funding, lack of work, or any budget situation other than a lapse in appropriations. Furloughs resulting from sequestration would generally be considered administrative furloughs. See the OPM Guidance for Administrative Furloughs.

B. Covered Employees. Agencies are responsible for identifying the employees affected by administrative furloughs based on budget conditions, funding sources, mission priorities (including the need to perform emergency work involving the safety of human life or protection of property), and other mission-related factors.

1. All political appointees who are covered by the leave system in 5 U.S.C., Chapter 63, or an equivalent formal leave system, are subject to administrative furlough.

2. Individuals appointed by the President, with or without Senate confirmation, who are not covered by the leave system in 5 U.S.C., Chapter 63, or an equivalent formal leave system, are not subject to furlough. A leave-exempt Presidential appointee cannot be placed on non-duty status.

C. Pay During an Administrative Furlough

1. Ordered to Work. If an employee is ordered to work during the furlough hours, the assignment of work cancels the employee’s furlough status for the duration of the order and such work is subject to normal compensation requirements.

2. Work Outside of Basic Workweek. Employees who are required to work hours outside of a basic workweek during which they have been furloughed are compensated with their rate of basic pay if overtime thresholds have not been met, and/or with overtime pay or compensatory time off in lieu of overtime pay, as appropriate, once the thresholds have been met.
3. **Post Allowance.** Post Allowance continues without interruption while the employee is in nonpay status not in excess of 14 consecutive calendar days, including periods outside the employee’s regular tour of duty (e.g., weekends).

4. **Living Quarters Allowance (LQA).** LQA continues without interruption while the employee is in nonpay status not in excess of 30 consecutive calendar days at any one time. For periods in nonpay status longer than 30 consecutive calendar days, LQA payment **must** be suspended as of the day the employee enters such status, and payment is not to be made for any part of such period.

D. **Voluntary Services.** An employee on administrative furlough may not volunteer to do his or her job on a nonpay basis. See 31 U.S.C. § 1342.

0522 LWOP

052201. General

LWOP is a temporary nonpay status and absence from duty that, in most cases, is granted at the employee's request. In most instances, granting LWOP is a matter of supervisory discretion and limited by agency internal policy.

052202. Employee Request

An employee’s request for paid leave of absence, such as for annual or sick leave, will convert to a request for LWOP if annual or sick leave is insufficient.

052203. Authorization

Authorizing LWOP is a matter of administrative discretion. An employee generally cannot demand LWOP as a matter of right. However, in some instances, employees may have an entitlement to LWOP.

A. **FMLA.** Employees may be entitled to unpaid leave under the FMLA to care for a family member or covered Service member. See section 0505.

B. **Disabled Veterans.** Disabled veterans are entitled to LWOP if required for medical treatment under Executive Order 5396, July 17, 1930.

C. **Reserve and National Guard Members.** Reserve and National Guard members are entitled to LWOP if required to perform military duties under 38 U.S.C. § 4316(b)(1). See paragraph 052002.
D. **Workers’ Compensation.** For limited periods, employees are entitled to LWOP if receiving injury compensation under 5 U.S.C., Chapter 81. Generally, when receiving workers’ compensation from the DOL, employees may not be in a pay status.

052204. **Leave Conversion**

LWOP that has been granted to an employee will not be converted to annual or sick leave except in the case of:

A. Administrative error;

B. Participation in the VLTP or VLBP;

C. Disability retirement and employee compensation cases in which claims are disallowed; or

D. When there has been a settlement or an order of an arbitrator, Administrative law judge, or Federal judge in an employee dispute.

052205. **Reduction of Leave Accrual**

When the number of LWOP status hours in a full-time employee’s leave year equals the employee’s biweekly tour of duty (e.g., 80, 112, or 144 hours), the employee’s leave accrual is reduced by an amount equal to the amount of leave (sick and annual) earned during the pay period. For example, when reduction of accrual is required during the last pay period in the calendar year for an employee in the 6-hour accrual category (entitled to accrue 10 hours of leave in such period), leave accrual for that period reduces by 10 hours. When an employee has one or more breaks in service during the leave year, the PRO will include all hours in a LWOP status (other than nonpay status during a fractional pay period when no leave accrues). When an employee’s number of LWOP hours at the end of the leave year is less than his or her biweekly tour of duty, the LWOP hours are dropped. See 5 C.F.R. 630.208.

0523  **ABSENCE WITHOUT LEAVE (AWOL)**

052301. **General**

If an employee who is required to work fails to report for duty without adequate reason for their absence, the agency may choose to place the employee on AWOL, and the employee may potentially be disciplined for the AWOL at the agency’s discretion. The agency makes the determination as to whether the employee has adequate reason for his or her absence. An absence from duty which is not authorized or approved, or for which a leave request has been denied, is properly charged as AWOL.

052302. **Reduction of Leave Accrual**

The reduction of leave accrual is the same as for LWOP.
0524 SUSPENSION

Suspension is the placement of an employee in a temporary nonpay and non-duty status for disciplinary reasons. An SF 50 must be issued for all suspensions. See 5 U.S.C., Chapter 75 and 5 C.F.R., part 752.

*0525 DISABLED VETERAN LEAVE (DVL)

052501. Purpose

The **Wounded Warriors Federal Leave Act of 2015**, passed on November 5, 2015, establishes a new leave category for newly hired veterans of military service with a service-connected disability rating of 30 percent or more from the Veterans Benefits Administration (VBA). The intent of the law was to grant newly-hired veterans immediate access to up to 13 days (104 hours) of paid leave so that the employee does not need to take unpaid leave for the treatment of their service connected injuries. An employee can use up to 104 hours of DVL to attend medical appointments related to their service connected disability during a 12-month period of eligibility beginning on their first day of employment, as defined under subsection 052502.B. DVL is a one-time benefit provided to an eligible employee. See 5 U.S.C. § 6329; 5 C.F.R. 630, subpart M; and the OPM Fact Sheet, [Disabled Veteran Leave](#).

052502. Eligibility and Submission of Certifying Documentation

A. Eligible Employees. An employee, hired on or after November 5, 2016, who is a veteran with a qualifying service-connected disability is eligible for disabled veteran leave. See 5 C.F.R. 630.1304. For the purposes of DVL, hired after November 5, 2016, means the following:

1. Receiving an initial appointment to a civilian position qualifying for DVL,

2. Receiving a qualifying reappointment to a civilian position qualifying for DVL, or

3. Returning to duty status in a civilian position qualifying for DVL when the return immediately follows a break in civilian duty to perform military service. Employee must be in a continuous civilian leave status during the break.

B. Eligibility Period. An employee may use disabled veteran leave during the 12-month eligibility period beginning on their first day of employment. For purposes of determining the 12-month period, the first day of employment means the later of:

1. The earliest date an employee is hired (after the effective date of the employee’s qualifying service-connected disability as determined by the VBA), or
2. The effective date of the employee’s qualifying service-connected disability as determined by the VBA.

C. Certifying Documentation. The employee must provide their employing agency with documentation from the VBA certifying the employee has a service-connected disability rating of at least 30 percent or more. The certifying documentation must be provided to the employing agency as follows:

1. Upon the first day of employment, if the employee has already received certifying documentation from the VBA; or

2. If the employee has not yet received certifying documentation from the VBA, as soon as practicable after the employee receives the documentation.

D. Eligibility Period if Certifying Documentation is Submitted Late. If the employee submits the certifying documentation on a date later than required under subsection 052502.C, the 12-month eligibility period is not affected and is still based on the first day of employment.

E. Changes in Eligibility. The employee must notify the agency if the disability rating is decreased below a 30 percent rating or discontinued in the 12-month eligibility period.

052503. Crediting and Offsetting DVL

After confirming the employee’s eligibility for DVL, the PRO must credit the employee with the appropriate amount of DVL. The number of hours credited is based on the employee’s work schedule. The total number of DVL hours initially credited must be offset by certain sick leave or “equivalent” disabled veteran leave as described below. See 5 C.F.R. 630.1305 and the OPM Fact Sheet for examples

A. Full-Time Employees. Full-time nonseasonal employees may receive a credit of 104 hours of DVL.

B. Part-Time Employees. The 104 hours is prorated based on the number of hours in the part-time schedule (as established for leave charging purposes) relative to a full-time schedule. For example, 52 hours of DVL is given to a half-time employee.

C. Seasonal Employees. The 104 hours is prorated based on the total projected hours to be worked in an annual period of 52 weeks relative to a full-time work year of 2,080 hours (for example, 52 hours for a seasonal employee who works full-time for half a year).

D. Uncommon Tour of Duty. The 104 hours is proportionally increased based on the number of hours in the uncommon tour of duty relative to the hours in a full-time tour (for example, 187 hours for an employee with a 72-hour weekly uncommon tour of duty).

E. Tour of Duty Change. If an employee’s tour of duty is converted to a different
tour of duty, the employee’s balance of DVL must be converted to the proper number of hours based 
on the proportion of hours in the new tour of duty. See 5 C.F.R. 630.1305.

F. Offsetting DVL Credits. When determining the initial number of hours of 
DVL credit, the PRO must offset the credit the following:

1. **Sick Leave.** Any hours of sick leave the employee has credited to their 
account as of the first day of employment (for example, if the employee is being reappointed and 
will have recredited sick leave, the DVL must be reduced by the recredited sick leave).

2. **Equivalent Disabled Veteran Leave.** Any hours of equivalent disabled 
veteran leave used by an employee in a position not covered under 5 U.S.C. 6329 (for example, if 
the employee has equivalent disabled veteran leave granted under other statutory authority such as 
for personnel with the Federal Aviation Administration, the DVL must be reduced by the equivalent 
leave hours). See 5 C.F.R. 630.1305(e).

052504. Requesting and Using DVL

An employee may only use DVL only for medical treatment of a qualifying service-
connected disability. The medical treatment may include a period of rest if so directed by a medical 
provider for treatment of the service-connected disability. See 5 C.F.R. 630.1306.

A. **Application for Leave.** The application for leave may be a written, electronic, 
or oral request. The application must state the DVL will be used for medical treatment of the 
qualifying disability. The leave application must include the days and hours required of absence for 
treatment. The application must be submitted according to the employing agency’s leave submission 
requirements.

B. **Retroactive Substitution of DVL Leave.** If an employee does not provide the 
agency with certification for the service-connected disability prior to having to take leave connected 
to treatment of the service-connected disability, the employee is entitled to substitute approved DVL 
retroactively for such absences in the 12-month eligibility period (excluding periods of suspension 
or AWOL). The DVL may be retroactively substituted for LWOP, sick leave, annual leave, 
compensatory time off, or other paid time off in the 12-month eligibility period. Upon substituting 
the DVL, the PRO must make appropriate adjustments to leave balances. If the employee 
retroactively substitutes DVL for advanced annual or advanced sick leave, the substitution will 
liquidate any leave indebtedness.

052505. Medical Certification

A. **Required Documentation.** In addition to the employee’s request to utilize 
DVL as described in subparagraph 052504.A, an agency may require a signed written medical 
certification issued by a health care provider. The agency may request any of the following:

1. A statement by a health care provider affirming the medical treatment 
is for the service-connected disability that resulted in 30 percent or more disability rating;
2. The dates and times of treatment (if the treatment extends over several days, then the beginning and ending dates of treatment);

3. If the leave was not requested in advance, a statement that the treatment required was urgent or there were other circumstances that made advance scheduling impossible; and

4. Any additional information the agency deems necessary to verify the employee’s eligibility.

B. Time Limit for Submission of the Medical Certification. An employee must provide any required written medical certification to the agency within 15 calendar days after the date requested by the agency. If the agency determines it is not practicable for the employee to provide the requested medical certification within 15 calendar days (despite the employee’s diligent and good faith efforts), the employee may be allowed to provide the medical certification within a reasonable time period under the circumstances involved, but no later than 30 calendar days after the date the agency requests such documentation. If the employee does not provide the appropriate documentation within the allotted time, the employee is not entitled to use DVL. In such cases, the agency may charge the employee as AWOL or allow the employee to request that the absence be charged to LWOP, sick leave, annual leave, or other forms of paid time off. See 5 C.F.R. 630.1307.

052506. DVL Forfeiture, Transfer, and Reinstatement and Lump-Sum Payments

A. Forfeiture.

DVL not used during the 12-month eligibility period, may not be carried over to the next year and must be forfeited. If an employee’s disability rating is decreased under 30 percent during the 12-month eligibility period, any unused DVL on the employee’s leave account is forfeited effective the date of the change in rating.

B. Transfer or Reinstatement.

When an employee transfers between agencies or is reinstated to civilian service after a break in service, the following actions must be taken:

1. Transfer Between Agencies with No Break in Service. When an employee with DVL transfers or moves from a position in one agency to a different agency during the 12-month eligibility period without a break in service, the losing agency must certify the number of DVL hours available for credit by the gaining agency. The losing agency must also certify the expiration date of the employee’s 12-month eligibility period. Any remaining unused DVL at the end of the 12-month eligibility period is forfeited.

2. Reinstatement After a Break in Service. When an employee with DVL has a break in service of at least 1 workday and is reemployed in a position covered by 5 U.S.C. 6329 within the same 12-month eligibility period, the employee is entitled to a recredit of the unused balance. The losing agency must certify the number of unused DVL hours available for recredit by
the gaining agency. The losing agency must certify the expiration date of the 12-month eligibility period. In absence of such certification by the losing agency, the recredit may be supported as set out under 5 C.F.R. 630.1308(d)(3). Any remaining unused DVL at the end of the 12-month eligibility period must be forfeited.

C. **Lump-Sum Leave Payments.**

An employee will not receive a lump-sum payment for unused DVL under any circumstance.
Table 5-1. Leave Proration for Fractional Pay Periods

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<td>5</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>10</td>
<td>4</td>
</tr>
</tbody>
</table>

Note: Use Category 1 for sick leave purposes.
Table 5-2. Time Limitations for Use of Reinstated Leave

<table>
<thead>
<tr>
<th>Full-Time Employees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours in excess of maximum accumulation</td>
<td>Time limitation for use of reinstated leave (end of the leave year in progress after)</td>
</tr>
<tr>
<td>416 or less</td>
<td>2 years</td>
</tr>
<tr>
<td>417 – 624</td>
<td>3 years</td>
</tr>
<tr>
<td>625 – 832</td>
<td>4 years</td>
</tr>
<tr>
<td>833 – 1040</td>
<td>5 years</td>
</tr>
<tr>
<td>1041 – 1248</td>
<td>6 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part-Time Employees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours in excess of maximum accumulation</td>
<td>Time limitation for use of reinstated leave (end of the leave year in progress after)</td>
</tr>
<tr>
<td>If 208 or less multiply tour of duty by 20% (1040 × 20% = 208)</td>
<td>2 years</td>
</tr>
<tr>
<td>If 209 – 312 multiply tour of duty by 10% (1040 × 10% = 104)</td>
<td>3 years</td>
</tr>
<tr>
<td>313 – 416</td>
<td>4 years</td>
</tr>
<tr>
<td>417 – 520</td>
<td>5 years</td>
</tr>
<tr>
<td>521 – 624</td>
<td>6 years</td>
</tr>
</tbody>
</table>
Table 5-3. Leave Flexibilities Available to Care for a Family Member and/or a Covered Service Member

<table>
<thead>
<tr>
<th>Entitlement</th>
<th>Amount of Hours</th>
<th>Purpose</th>
<th>Family Members for Whom Leave May be Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Sick Leave for General Care of a Family Member and Bereavement</td>
<td>13 days (104 hours) of paid leave</td>
<td>1-Provide care for a family member who is incapacitated by medical or mental condition. 2-Provide care for a family member with a serious health condition. 3-Provide care for a family member receiving medical, dental, or optical examination or treatment. 4-Make arrangements necessary due to a death of a family member or attend the funeral of a family member. 5-Who would, as determined by the health authorities having jurisdiction or by 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.</td>
<td>See definition of a family member at 5 C.F.R. 630.201(b). Family members include: 1-Spouse and their parents 2-Sons/daughters and their spouses 3-Parents and their spouses 4-Brothers/sisters and their spouses 5-Grandparents/grandchildren and their spouses 6- Domestic partners and their parents (including domestic partners of any individual in 2-5) 7-Any individual related by blood or whose relationship with the employee is equivalent of a family.</td>
</tr>
<tr>
<td>Accrued Sick Leave for Care of a Family Member With a Serious Health Condition</td>
<td>12 weeks (480 hours) of paid leave</td>
<td>To care for a family member with a serious health condition as defined by 5 C.F.R. 630.1202.</td>
<td>See the definition of a family member at 5 C.F.R. 630.201(b).</td>
</tr>
<tr>
<td>Advanced Sick Leave</td>
<td>up to 30 days (240 hours) of paid leave</td>
<td>To care for a family member with a serious disability or ailment. (Agency discretion)</td>
<td>See the definition of a family member at 5 C.F.R. 630.201(b).</td>
</tr>
<tr>
<td>FMLA (Basic/Regular)</td>
<td>12 weeks (480 hours) of unpaid leave during a 12-month period</td>
<td>To care for a family member with a serious health condition. For the birth or adoption/foster care of a child For a qualifying exigency arising out the fact that the spouse, son, daughter or parent of the employee is on covered active duty.</td>
<td>Spouse, son, daughter or parent with a serious health condition. The son or daughter must be under 18, or over 18 but incapable of self-care due to a mental or physical disability (5 C.F.R. 630.1203(a)(3) and 630.1202). Newborn child within 1 year of birth or child placed with employee for adoption or foster care within 1 year of placement. Employee’s spouse, son, daughter or parent.</td>
</tr>
<tr>
<td>FMLA to Care for a Covered Service Member</td>
<td>26 weeks (1,040 hours) of unpaid leave in a 12-month period</td>
<td>To care for a covered Service member with a serious injury or illness.</td>
<td>Spouse, son, daughter, parent, or next of kin of a covered Service member. Next of kin means the nearest blood relative of that individual.</td>
</tr>
</tbody>
</table>
Table 5-4. Employee Absences for Court or Court-Related Services

<table>
<thead>
<tr>
<th>Nature of Service</th>
<th>Type of Absence</th>
<th>Fees</th>
<th>Government Travel Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Court Leave</td>
<td>Official Leave or LWOP</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Retain</td>
<td>Turn Into Agency</td>
<td></td>
</tr>
<tr>
<td>I. JURY SERVICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. United States or District of Columbia</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>B. State or local court</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>II. WITNESS SERVICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. On behalf of the United States or District of Columbia court</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>B. On behalf of state or local:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Official capacity, or</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Nonofficial capacity</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>C. On behalf of a private party:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Official capacity, or</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>2. Nonofficial capacity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. When party is United States, District of Columbia, or local government</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>b. When party is not United States, District of Columbia, or local government</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: Offset to the extent paid by the court, authority, or party that caused the employee to be summoned.
VOLUME 8, CHAPTER 6 “MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2015 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>060501</td>
<td>Updated to include information on “Invoking the Back Pay Act,” “Equal Employment Opportunity Commission Cases,” “Non-Appropriated Fund Employees,” and “Lump Sum Payments.”</td>
<td>Revision</td>
</tr>
<tr>
<td>060503.C.</td>
<td>Updated to include information on the duration of the statute of limitations.</td>
<td>Addition</td>
</tr>
<tr>
<td>060504.J.</td>
<td>Updated to include information on cash awards.</td>
<td>Addition</td>
</tr>
<tr>
<td>060505.B.3.</td>
<td>Updated to clarify the calculation of back pay when outside earnings exceed the back pay award.</td>
<td>Addition</td>
</tr>
<tr>
<td>060507.A.</td>
<td>Updated for clarity.</td>
<td>Revision</td>
</tr>
<tr>
<td>060508.E.</td>
<td>Updated back pay award information to include flexible spending account deductions.</td>
<td>Addition</td>
</tr>
<tr>
<td>060511.B.</td>
<td>Clarified back pay award information regarding thrift savings plan deductions.</td>
<td>Revision</td>
</tr>
<tr>
<td>060514</td>
<td>Updated back pay award information to include “Tax Withholding and Reporting for Back Pay Matters.”</td>
<td>Addition</td>
</tr>
</tbody>
</table>
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CHAPTER 6

MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)

0601 GENERAL

060101. Purpose

This chapter prescribes the policy and procedures for miscellaneous actions, which occur outside of normal payroll processing.

060102. Authoritative Guidance

Statutes, regulations, and other guidance are referenced under each section of this chapter.

0602 UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES (UCFE)

060201. General

A. Purpose. The UCFE program provides eligible former Federal civilian employees with unemployment compensation benefits during periods of unemployment. The Department of Labor (DOL) is responsible for implementing the UCFE Program.

B. UCFE Program Administration. UCFE is administered by the states as agents of the Federal Government under Title 5, United States Code (U.S.C.), Chapter 85 and Title 20, Code of Federal Regulations (C.F.R.), Part 609. UCFE operates under the same terms and conditions as those that apply to regular state unemployment insurance programs. Generally, UCFE benefits are determined under the law of the state where the employee’s last official duty station as a Federal civilian employee was located. State laws are not uniform and there may be variations in eligibility requirements. Each Department of Defense (DoD) component is responsible for managing its respective UCFE. The employing agency is responsible for the payment of these benefits; therefore, there is no payroll deduction from a Federal employee’s wages for UCFE protection. See Department of Defense Instruction (DoDI) 1400.25-V850 for additional information.

060202. UCFE Claim-Related Forms

There are two primary claim forms pertaining to UCFE. Various state employment security agencies (SESA) may require other claim forms. See DoDI 1400.25-V850 for other UCFE claim forms.

A. Standard Form (SF) 8, Notice to Federal Employees About Unemployment Insurance. The Human Resources Office (HRO) must issue the SF 8 to the employee when the employee separates from Federal civilian service, transfers, or is placed in a non-pay status for 7 consecutive days or more. The form explains eligibility requirements for UCFE and provides general information on how to file a claim. The HRO should explain the form during an employee’s out-processing. For additional information on the SF 8, see DoDI 1400.25-V850.
B. Employment Security (ES) Form 931 (Request for Wage and Separation Information). The SESA generates an ES 931 when a former Federal employee files an initial claim for unemployment compensation. The state forwards the ES 931 to the servicing HRO to obtain wage information for specific work-year quarters. The HRO must complete and return the ES 931 to the SESA within 4 workdays of receipt. For additional information, see 20 C.F.R. 609.21-22 and the “UCFE Instructions for Federal Agencies,” Chapter VI.

060203. Civilian Payroll Office (PRO) Duties

A. Provide Accurate Wage Data. For the SESA to accurately determine the former employee’s weekly and maximum unemployment benefit amounts, the PRO must provide exact wage data to the SESA through the HRO. The PRO must accurately report all monetary information affecting the claim, such as lump-sum annual leave payments, severance pay, annuity pay, or incentive pay.

B. Defense Civilian Pay System (DCPS) Interface. The DCPS provides a biweekly interface extract to support the Injury Compensation-Unemployment Compensation (IC-UC) application. The servicing HRO uses this data to complete the ES 931. If requested, the PRO will provide additional information to the HRO for employees recently transferred to DCPS. If the PRO is unable to provide the requested information within a four workday period, the PRO must notify the HRO immediately and the HRO must follow the procedures in 20 C.F.R. 609.21(b).

C. Refer All Inquiries to HRO. The central point of contact for all UCFE matters is the servicing HRO. All inquiries received by the PROs (such as state queries, telephone calls, and requests for UCFE documentation) will be referred to the servicing HRO. The servicing HRO must contact the PRO for any additional information.

060204. Base-Period Wages and Annual Leave Information

A. Base-Period. Each state sets the amount and duration of unemployment compensation under UCFE that is payable to individuals. A “base-period” is used for determining the amount payable and is defined by state law. A base-period is comprised of either four consecutive quarters or 52 weeks. Most states use a base-period that includes the first four of the last five completed calendar quarters. The amount of unemployment compensation benefits is based on the gross Federal wages paid to or earned by an employee during the base-period preceding the date of claim. Most states require six or eight quarters of information, which is reported by the HRO on the ES 931.

B. Reportable Base-Period Federal Wages. Federal wages for purposes of UCFE means all allowances and pay in cash or in kind (including cash allowances and remuneration in any medium other than cash) for Federal civilian service. See 5 U.S.C. § 8501.

1. Report Gross Amount of Base-Period Federal Wages. The amounts to be reported as base-period wages are gross wages before deductions for Social Security/Medicare,
Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), Thrift Savings Plan (TSP), and Federal, state, and local taxes. Gross wages also include allowances and pay in a medium other than cash. Do not include expenses for official business, such as taxi fares, per diem, or mileage. Do not include payments for uniform allowances.

2. Types of Wages Included in Base-Period Wages. DOL has determined the following specific types of wages are to be included in the amount reported as gross (base-period) wages:

   a. Foreign and Non-Foreign Differentials and Allowances. Federal wages include cost-of-living differentials paid at various foreign posts and cash allowances for quarters and subsistence. An exemption from Federal income tax for any such item does not exclude the payment from gross wages for the purposes of UCFE.

   b. Back Pay. Federal wages include back pay awards. Back pay awards are counted as wages in the period for which they are paid. Include wages paid during the base-period, even though earned prior to that period. For additional information, see section 0605.

   c. Salaries Paid by DoD to Reemployed Annuitants. In the case of a civil service annuitant, who is being paid the difference between the salary rate and the amount of annuity, only the amount paid by the employing agency is considered Federal wages. Thus, Federal wages for UCFE is the amount equal to the difference between the salary of the position and the annuity received. The annuity paid by the Office of Personnel Management (OPM) is not Federal wages for UCFE purposes.

   d. Increases in Rates of Compensation Authorized by Acts of Congress. Such increases must be reported as wages for the pay period in which the increases are paid. This is required even if the first payment covers a retroactive period. If the base-period begins or ends during the pay period in which this payment was made, then the entire payment should be allocated to the second week of the pay period.

3. Reporting Methods for Base-Period Wages. The PRO must report wages the same way the records are kept. Do not attempt to add or subtract wages earned by the employee for any days before the beginning of the quarter or the remaining days between the last payroll cutoff date and the end of the quarter. For example, if the pay period ends March 28, do not add March 29 through 31 to the wages reported for the January 1 to March 31 quarter. Do not report wages for periods other than, or in addition to, those periods requested. If the claimant had no base-period wages, then indicate it on the report.
C. Other Wages Reported, but not Included in Base-Period Wages

1. Lump-Sum Annual Leave. All lump-sum annual leave payments are Federal wages for purposes of UCFE, but are not reported as base-period wages. Report lump-sum leave payments separately from gross wages (base-period wages).

   a. If the employee received a lump-sum payment for annual leave after the beginning date of the base-period, the PRO must furnish the following:

      (1) Amount of payment,
      (2) Date(s) of payment,
      (3) Amount of annual leave (days and hours), and
      (4) Period of lump-sum annual leave.

   b. If lump-sum annual leave is payable but has not been paid, then report “annual leave payment due but not paid,” and provide details (period covered, amount of payment, when it will be paid) if known.

2. Severance Pay. Severance payments are not reported as base-period wages, but are reported separately. If the employee receives or is entitled to receive severance pay, the PRO must report the information to the HRO via the interface supporting IC-UC. States with laws that require an offset of severance pay from UCFE benefits must be advised whether the former employee is receiving or will receive severance pay. The SESA obtains severance pay details from the employee’s copy of the SF 50, Notification of Personnel Action, and/or the ES 931, if appropriate.

3. Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payment (VSIP). If the employee received authorization for VERA or VSIP, report the information in accordance with subparagraph 060204.C.2.

060205. Employees on Leave Without Pay (LWOP)

Upon the HRO’s receipt of ES 931, the HRO must report the non-pay status of an employee to the SESA. The HRO must report LWOP from the starting date through the ending date and must include any other pertinent data. If the employee is in a non-pay status for more than 30 days, then the SF 50 provides the LWOP information. For LWOP of 30 days or less, the biweekly interface extract provides this information to the HRO. The HRO must indicate whether employees on LWOP are awaiting an on-the-job injury approval or disability retirement from the Office of Workers’ Compensation Programs (OWCP). If an employee is awaiting an OWCP determination, then the SESA is responsible for contacting the OWCP for any necessary data it needs.
060206. Obtaining Data from the National Personnel Records Center (NPRC)

A. Requesting Official Records. If the necessary records required to furnish wage data to the HRO have already been forwarded to the NPRC, the records must be requested via written authorization. This information is subject to the Privacy Act of 1974; therefore, the PRO must handle the records in accordance with the provisions of the Act. The written request must clearly identify the office requesting the information and be addressed to NPRC-Annex, 1411 Boulder Blvd, Valmeyer, IL 62295. The request should state: “Unemployment insurance request for wages for four calendar quarters, enter period as shown on the ES 931, and statement of reasons for separation (last name, first name, and middle initial), (name under which employed, if different), (date of birth), and Social Security number (SSN).”

B. Prohibited Actions. The PRO should not send the ES 931 to the NPRC for completion, nor should the PRO ask the SESA to obtain data from the NPRC. Once the PRO has requested the necessary information from the NPRC, the PRO must inform the HRO who will inform the SESA that the information has been requested.

C. NPRC Reply. The NPRC will respond in writing and mail a photocopy of the individual’s pay record to the PRO. The PRO will furnish wage data based on the information received from the NPRC. Upon receipt of the pay record, the PRO will compare it with all wage data furnished to the HRO. The PRO will identify errors and notify the HRO and the HRO will notify the SESA.

0603 EMPLOYMENT INSURANCE FOR CANADIAN EMPLOYEES

060301. The Canadian Employment Insurance Program

The U.S. Government participates in the Canadian Employment Insurance Program for Canadians employed in Canada by the DoD. The PRO must follow the procedures in this section for employment insurance withholdings and contributions for covered employees. Any DoD installation that employs personnel in Canada should follow the guidance as issued by the Canada Revenue Agency.

060302. Policies Governing the DoD Participation

A. Modifications Specific to the DoD. The following requirements do not apply to the DoD:

1. Standing deposit of one month’s combined contribution;

2. Application to operate on a calendar year basis. DoD installations will operate based on a payroll year, which for this purpose, will be a calendar year; and

3. Remittance of contributions and withholding by certified check.
B. Coverage

1. The PRO must use Canada Revenue Agency T4001 *Employer’s Guide* - Payroll Deductions and Remittances to determine insurable employment and earnings for withholding. Exceptions are in subparagraph 060302.B.2.

2. The PRO may not withhold contributions from Canadian employees who are spouses of U.S. citizens that are employed by DoD Components or from U.S. civilians paid from appropriated and nonappropriated funds. If a Canadian employee’s marital status changes such that it would affect the employee’s insurability, then the Canadian employee must notify the HRO, and the HRO will, in turn, forward the information to the PRO. Deductions for Canadian Employment Insurance will stop at the end of the pay period in which notice of marital status change is received. If the Canadian employee receives notice of a divorce, then the deductions must start at the beginning of the next pay period after receipt of notification.

C. Refund of Deductions. If a refund of deductions is required, then DoD installations will refund only amounts totaling $1 or more.

D. Retroactive Payments. The DoD may not make retroactive payments of deductions to the Canada Revenue Agency if the employee concerned has not given correct information to the employing installation. This includes cases that have been adjudicated.

E. Audit by the Canada Revenue Agency. The DoD records of deductions, contributions, and remittances are subject to audit. The audit requirements may be met by sending copies of records of covered personnel and insurance remittance documents to the proper Canada Revenue Agency district office. The PRO must send copies of records required by Canadian authorities on request.

060303. Amount of Contributions

A. Employee’s Share. The PRO must withhold funds from the pay of all insurable employees at the rate set in the Canada Revenue Agency T4001 Employer’s Guide.

B. Employer’s Share. The employer’s share must equal 1.4 times the amount withheld from the employee’s pay on each payroll voucher. The contribution must be charged to the fund from which employees’ salaries are paid.

060304. Disposition of Contributions

A. Payroll Collection. The employee and employer contributions must be made as a voucher deduction on the payroll voucher. For example, the accounting classification for the DoD will be deposit fund account 97X6875, “Suspense, Department of Defense.”

B. Remittance to Canada Revenue Agency. The PRO must request a bulk payment permit and information on deviation from remittance procedures from the Chief Coverage Officer, Employment Insurance Commission, Ottawa 1, Ontario, Canada. An SF 1049, Public
Voucher for Refunds, must be used to make the biweekly remittance to the Commission from the deposit fund account **X6875.

0604 CLAIMS FROM EMPLOYEES FOR ADDITIONAL COMPENSATION

060401. General

A. Authority to Settle Claims. Employees may file claims involving compensation or leave under 31 U.S.C. § 3702. The General Accounting Office Act of 1996, Public Law No. 104-316, transferred the claims settlement functions previously performed by the Government Accountability Office (GAO) to certain executive branch agencies. For additional information, see Functions Transferred to the Executive Branch. Therefore, both former and current employees, must submit claims for additional compensation to the DoD employing activity in accordance with Volume 5, Chapter 12. Claims must be individually processed and an administrative determination must be made as to whether or not the employee is entitled to the amount claimed. If the claim relates to the determination of an entitlement or similar matter that is the responsibility of the HRO, then the claim should be negotiated and documented through the employing activity’s personnel channels.

B. Review of Denied Claims. If a claim for payment is denied and the employee wishes to request further review, then the PRO must assemble all documentation pertaining to the claim, including documents from any review process, and forward the file to the Defense Finance and Accounting Service (DFAS), Directorate of Debt and Claims Management Office (DCMO), Department 3300, ATTN: Customer Care Center, 8899 East 56th Street, Indianapolis, IN 46249-3300. The OPM Office of Merit Systems Oversight and Effectiveness (OMSOE) maintains the final authority to settle claims involving Federal employees' compensation and leave and deceased employees' compensation. See 5 C.F.R. 178 and Volume 5, Chapter 12.

C. Fair Labor Standards Act (FLSA) Claims. If an employee is not required to file an FLSA claim using a negotiated grievance procedure, he or she may file a claim with either the employing agency during the claim period or the OPM, but not with both at the same time. An employee whose claim is denied by the agency may file the claim with the OPM. See 5 C.F.R. 551 subsections 551.703 and 551.705.

D. Statute of Limitations for Filing a Claim. Under 31 U.S.C. § 3702, a claim for payment must be filed within 6 years of the date the right to payment accrued. Claims for overtime pay under the FLSA are generally subject to a 2-year statute of limitations (3 years for willful violations). See 5 C.F.R. 178.104 and 551.702.

060402. Procedures for Submitting Claims

A. Filing a Claim. Claims should be filed with the activity at which the individual was/is employed during the period for which the additional compensation is claimed. When civilian pay claims cannot be resolved at the employing activity or major command level, the fully documented claim should be sent to the DCMO at the address listed in subparagraph 060401.B.
B. Processing Claims

1. Approved Claims

   a. Paying Unquestionable Claims. Claims received by the PRO from the claimant may be approved and paid when there is no question of law or fact.

   b. Claims Subsequently Approved by OPM. Any claim received by the PRO from the OPM, including those originally received by the DCMO and forwarded to the OPM for final review, must be acted upon in accordance with instructions in the letter or order transmitting the claim to the PRO. When payment is to be made by the PRO, the claim must be paid as part of the regular payroll.

2. Disapproved Claims. Claims not received through the OPM that are denied administratively by the PRO must be returned to the claimant with a letter providing a detailed explanation concerning why the claim was disapproved. If the employee appeals the denial of the claim, then the PRO must forward the claim with a transmittal letter (prepared by the PRO) to the OPM via the DCMO. See subparagraph 060401.B.

C. Content of Claims. All claims submitted by the claimant/employee to the employing activity must be in writing and signed by the claimant or his/her representative. While no specific form is required, the request should describe the basis for the claim and state the monetary amount sought.

D. Submission of Disapproved/Denied Claims to OPM for Review. If a denied claim is submitted at the claimant’s request for final review by the OPM, the claim should include:

   1. Claimant’s name, address, telephone number, and facsimile number, if available;

   2. Name, address, telephone number, and facsimile number of the agency employee who denied the claim;

   3. A copy of the agency’s denial of the claim; and

   4. Any other information the claimant wants the OPM to consider.

E. Administrative Report. At the OPM’s request, the PRO/DCMO will submit an administrative report, which will include:

   1. Factual findings;

   2. Conclusions of law with relevant citations;

   3. Recommendation for the claims disposition;

   4. Copy of any supporting regulations or policy memorandums;
5. A statement that the claimant is or is not a member of a collective bargaining unit and, if so, a statement that the claim is or is not covered by a negotiated grievance procedure that specifically excludes the claim from coverage; and

6. Any other information that the OPM should consider.

060403. Advance Decisions

The OPM maintains the authority to issue advance decisions for claims settlement.

0605 BACK PAY UNDER 5 U.S.C. § 5596 (THE BACK PAY ACT)

*060501. General

A. Authority. The Back Pay Act at 5 U.S.C. § 5596 provides the authority for the payment of back pay, interest, and reasonable attorney fees for the purpose of making a Federal employee financially whole (to the extent possible) after an unwarranted or unjustified personnel action. See also 5 C.F.R. 550, Subpart H.

B. Introduction. Back pay is appropriate when, based on a timely appeal or an administrative determination (including a decision relating to an unfair labor practice or a grievance), an appropriate authority finds that the employee was affected by an unjustified or unwarranted personnel action. Such action must have resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due the employee under an applicable law, rule, regulation, or provision of a collective bargaining agreement. The HRO will determine an employee’s entitlement to back pay and document the determination in the Remarks section of the SF 50.

C. Invoking the Back Pay Act. Some settlement agreements or orders may not directly invoke the requirements of the Back Pay Act by citing 5 U.S.C. § 5596. Generally, if an agreement or order uses an undefined term of art like “back pay” without defining it, DFAS will apply the regulatory or statutory definition of the term. In such cases, back pay will be processed pursuant to the Back Pay Act unless the agreement or order expresses a contrary intent.

D. Equal Employment Opportunity Commission Cases under Title VII. Title VII of the Civil Rights Act provides authority for agencies to award back pay to employees in discrimination cases. Such cases are independent of the Back Pay Act and back pay is authorized under Title VII without a finding of an unjustified or unwarranted personnel action. An award of back pay under Title VII is computed in the same manner as under the Back Pay Act regulations pursuant to 29 C.F.R. 1614.501. See 42 U.S.C. § 2000e and § 1981a.

E. Non-Appropriated Fund (NAF) Employees. The Back Pay Act does not apply to NAF employees. NAF employees may receive back pay, but such payments are not made under the Back Pay Act and interest is not payable.
F. Lump Sum Payments in lieu of Back Pay. A lump sum payment “in lieu of back pay” is a payment offered in settlement of a case and is not considered back pay processed under the Back Pay Act. See 060514 for information on processing lump sum payments and proper tax reporting and withholding.

060502. Correcting an Unjustified or Unwarranted Personnel Action

A. Back Pay May Not Exceed Originally Owed Entitlements. When an unjustified or unwarranted personnel action is corrected or awaiting correction, the employee may receive credit for performing Federal service during the period covered by the corrective action (back pay period). The PRO must compute, for the back pay period, the employee’s pay, allowances, and differentials as if the improper personnel action had never occurred. In no case may pay, allowances, or differentials (including leave benefits) paid under the Back Pay Act exceed what the employee would have been entitled to had the unwarranted personnel action not occurred. See 5 C.F.R. 550.805.

B. Employees Who Return to Duty or Resign from Duty. When an employee has been separated, corrective action will be completed on the date the DoD has reasonably set for the employee’s return to duty. The DoD will notify the employee of the return date in writing. Until that date, the erroneous action remains in effect. Failure by the employee to report for duty on the date set by the DoD may result in the employee being charged annual leave, LWOP, or absence without leave for the period from the date set for return to duty until the date the employee actually returns to work. An employee who resigns instead of returning to duty is still entitled to back pay since there is no requirement that the employee return to duty. In that event, the employee will receive back pay up to the date that he or she is considered separated from Federal service, which may or may not be the date that he or she is requested to report for duty.

060503. Statute of Limitations

A. Six-Year Limitation. Under the Back Pay Act, an agency may not authorize pay, allowances, and differentials for a period beginning more than 6 years before the date of the filing of a timely written claim, or absent such filing, the date of the administrative determination that the employee is entitled to back pay. See 5 C.F.R. 550.804.

B. FLSA Claims. If a back pay claim involves an entitlement under the FLSA at 29 U.S.C. § 207, then an agency must apply a 2-year statute of limitations (3 years for willful violations). This applies to all FLSA claims filed on or after June 30, 1994. See 5 C.F.R. 551, Subpart G.

C. Back Pay Act vs. Barring Act. The Barring Act statute of limitation under 31 U.S.C. § 3702 sets a time limit on how long an individual has to file a claim against the United States (within 6 years after the claim accrues). The Back Pay Act statute of limitation sets a time limit on the remedy received (no more than 6 years of back pay).

060504. Gross Back Pay Computations
A. **General.** When computing the amount of gross back pay due an employee, the agency must compute all pay, allowances, and differentials the employee would have received if the unjustified or unwarranted personnel action had not occurred. This includes pay, leave, and other monetary employment benefits the employee would have been entitled to receive during the back pay period. The PRO must include premium pay and any changes that would affect the amount of pay owed. See 5 C.F.R. 550.805.

B. **Periods Excluded from Back Pay Computations.** The following periods of time are not included in the computation of back pay. See 5 C.F.R. 550.805(c) and (d).

1. **Periods of Incapacitating Illness.** The PRO may not pay back pay for any period during which the employee was not ready, willing, and able to perform his or her duties because of an incapacitating illness. However, the employing agency must grant, upon request of the employee, any accrued sick or annual leave to cover the period of incapacity due to illness or injury.

2. **Periods of Unavailability.** The PRO may not pay back pay for any period during which the employee was unavailable for performance of his or her duties for reasons not related to, or caused by, the unjustified or unwarranted personnel action.

C. **Within-Grade Increases (WGI).** When computing an employee’s pay, the PRO must include any WGI to which the employee became entitled during the back pay period. If the grant or denial of a WGI requires an acceptable level of competence determination under 5 C.F.R. 531, the requirements for such a determination, including the right of reconsideration and appeal, must be followed before the WGI may be included in the computation of the amount of back pay due the employee. This also applies to determinations made retroactively. Regulations governing WGI allow for a waiver of the requirement of an acceptable level of competence determination when the employee has not served in any position for the minimum period during the final 52 calendar weeks of the waiting period because the employee received service credit under the Back Pay Act.

D. **Overtime the Employee Would Have Earned.** When computing the back pay of an employee who is restored to duty, any overtime the employee would have earned during the period of wrongful suspension or separation should be included in the back pay even though the overtime was not actually scheduled. The method of computing overtime incident to a back pay award due an employee may be based on the average number of overtime hours worked by fellow employees occupying similar positions during the same period.

E. **Overtime Under a Collective Bargaining Agreement or Regulation.** An employee who should have been selected for overtime work because a regulation or a collective bargaining agreement provided for assignment of overtime work in a prescribed manner is entitled to back pay for the overtime if the regulation or nondiscretionary provision of the agreement was violated. The appropriate authority must find that the action taken was unjustified or unwarranted, and direct that corrective action be taken. The overtime will be computed based on the number of hours worked by an employee who was actually selected to perform the overtime work during the same period.
F. Allowances or Differentials. The PRO must include in the back pay owed to the employee any allowances or differentials that the employee would have received if the improper personnel action had not occurred. This is true even though the employee did not physically remain in the location giving rise to the entitlement.

G. Hazardous Duty Pay. A General Schedule employee may have been entitled to irregular or intermittent pay for physical hardship or hazard duty. The PRO may assist the HRO to determine the number of days per week the employee performed the irregular or intermittent hardship or hazard duty during the 52 weeks preceding the wrongful suspension or separation for which the employee would have been compensated. The PRO may use an average of the amounts to make the necessary computations as authorized by the HRO.

H. Environmental Differentials. Payment of environmental differentials on an actual exposure basis, or based on hours in a pay status, must be computed in accordance with the OPM regulations and instructions. The DoD determines entitlement to such differentials based on the 52 weeks preceding the wrongful suspension or separation for which the Federal Wage System employee would have been compensated.

I. Intermittent Employees. When the DoD is not able to determine with certainty the number of hours that the intermittent employee would have worked during the back pay period, the HRO may estimate the amount of back pay due. This estimate is determined by taking an average of the number of hours worked by other DoD employees under the same type of appointment and performing the same kind of work that the employee would have been assigned to during this period. Alternatively, the HRO also may determine the average number of hours a week the employee actually worked to obtain a representative period preceding the unjustified or unwarranted personnel action (such as 26 or 52 weeks, whichever would represent a fairer approximation of the employee’s earnings if he or she had actually worked). The HRO may use the average weekly hours to make the necessary computations.

J. Cash Awards. Back pay includes any cash award the employee would have been entitled to had the unjustified or unwarranted personnel action not occurred. The award must be supported by the appropriate personnel action.

060505. Computation of Adjusted Gross Back Pay

A. General. Adjusted gross back pay means gross back pay less the offset for outside earnings under 5 C.F.R. 550.805(e)(1), but before adding interest. See Figures 6-1 and 6-2 for examples showing various entitlements, deductions for erroneous payments, and other authorized deductions in the computation of back pay.

B. Outside or Interim Earnings

1. Interim Earnings Defined. Under 5 C.F.R. 550.805(e)(1), interim or outside earnings refer to gross earnings, less any associated business loses or expenses, received by an employee for any employment or business enterprise undertaken to replace the employment
from which the employee was separated due to the unjustified or unwarranted personnel action. However, deductions for losses sustained in a venture unrelated to the separation are not allowable.

2. PRO Duties. The PRO must determine the adjusted gross back pay by offsetting (deducting) any outside earnings that were earned by an employee from other employment during the period of wrongful suspension or separation. The amount of back pay entitlement is the difference between the amount of compensation the employee would have earned in Government service, and the amount actually earned in other employment undertaken by the employee to replace the Government employment. Overtime earned during the period of wrongful suspension or separation that is in excess of that overtime which would have been earned in the position from which the employee was separated should not be offset. When an employee’s total outside earnings (including those from other Federal employment) exceed the total amount of back pay, the excess amount may be retained by the employee.

3. Outside Earnings Exceed Back Pay. When an employee’s outside earnings exceed the back pay award, the employee does not owe the difference to the Government. The employee must be indebted for any amounts owed for retirement contributions or health care premiums. See 060511 for TSP contributions.

C. Exception for Additional or “Moonlight” Employment. The only earnings from other employment that are not deducted from back pay are earnings from outside employment the employee already had before the period of wrongful suspension or separation. For example, if an employee usually worked 20 hours at a second part-time job (“moonlighting”) prior to separation from Government employment, and during the period of separation worked 40 hours at the outside job, then the amount representing the extra 20 hours worked would be offset against the back pay computation. To clearly establish whether the pay for outside employment increased substantially during the period of separation, the DoD should obtain a statement or affidavits from the employee covering his or her outside earnings.

060506. Computation of Interest on Back Pay Awards

A. General. Under 5 U.S.C. § 5596, interest is paid on all back pay awards that are finalized on or after December 22, 1987. Interest begins to accrue on the effective date on which the employee would have received the pay, allowances, and differentials had the unjustified or unwarranted personnel action not occurred. As a result, most computations will involve a series of effective dates, one for each date (usually a pay date) on which the employee failed to receive an amount of pay, allowances, and differentials because of the unjustified or unwarranted personnel action. See 5 C.F.R. 550.806.

B. Outside Earnings Offset. Interest is paid on the adjusted gross pay amount (gross back pay less any offset for outside earnings). Interest is computed before making any deductions for erroneous payments. For purposes of computing back pay interest, an outside earnings offset is applied as a constant percentage offset to each payment of back pay for each pay period during the period covered by the corrected action. This percentage offset is determined by dividing the employee’s outside earnings under 5 C.F.R. 550.805(e)(1) by the total amount of back pay owed to the employee prior to any deductions. See 5 C.F.R. 550.806(b).
C. Date Interest Accrual Ends. The DoD must issue interest within 30 calendar days of the date on which accrual of interest ends. If issuance of the interest payment is delayed more than 30 calendar days after the date on which accrual of interest ends, then interest must be recomputed based on a new ending date meeting the 30-day requirement. Back pay and interest should be paid simultaneously whenever possible. When the interest payment is issued after the payment of the back pay, see 5 C.F.R. 550.806(g) for calculation on any interest on interest owed.

D. Interest Rate. The applicable interest rate is the “overpayment rate” adjusted quarterly by the Secretary of the Treasury and published in an Internal Revenue Service (IRS) bulletin issued before the beginning of each quarter.

E. OPM Interest Calculator and Taxation of Interest. The PRO must compute interest in accordance with the formula or computer software provided to the PROs by the OPM. The PRO may not withhold taxes from interest payments on back pay awards. The PROs will provide employees with an IRS Form 1099-INT, Interest Income, for all interest payments.

060507. Deductions of Erroneous Payments from Back Pay

* A. General. In the context of back pay, erroneous payments are payments that were received by an employee from the Government as a result of the unjustified or unwarranted personnel action. Erroneous payments must be returned to the appropriate Government agency or pay system. Such payments must be recovered from the back pay award. If the back pay award is insufficient to satisfy the full recovery, then a debt must be established against the employee. See 5 C.F.R. 550.805(e)(2).

1. Retirement Annuity Payments

   a. An erroneously separated employee who received retirement annuity payments (either special payments or regular annuity payments) as a result of the separation is indebted to the Government for the gross amount of retirement annuity payments paid to the employee during the period of wrongful separation.

   b. Because the gross amount of annuity payments has already been reduced by required health and life insurance premiums, the PRO will recover an annuity amount from the back pay award that equals the gross annuity less health and life insurance premiums.

   c. The PRO must transfer the recovered annuity amount to the retirement system.

   d. The Government will recover amounts paid from the CSRS or FERS gross annuity for health and life insurance premiums from the respective carriers for those programs, and as a result, the retired employee’s account will be settled.
e. The PRO then must collect from the back pay any required health insurance premiums for coverage during the period following restoration and transfer that amount, plus the agency’s share, to the OPM.

2. **Refund of Retirement Contributions.** *Title 5, U.S.C. § 8342(a)* authorizes a refund of an employee’s retirement contributions only upon absolute separation from the service or transfer to a position not subject to the law. An employee must be separated or transferred for at least 31 consecutive days to be eligible for this refund. Therefore, a refund of retirement contributions paid to an employee based on a separation, which subsequently is found erroneous and canceled by restoring the employee to duty retroactively so that there was no break in service, removes the legal basis for the refund. A refund that was paid in error represents a debt due the retirement fund that must be deducted from any back pay entitlement. If the restored employee is entitled to back pay, then the PRO must contact the OPM to determine if the employee received such a refund and then offset the amount from the back pay entitlement. The PRO must remit the appropriate amount to the OPM.

3. **Severance Pay.** The gross severance pay paid to an erroneously separated employee at the time of his or her removal must be deducted from the back pay award upon restoration to duty.

4. **Lump-Sum Payment for Annual Leave.** Any erroneously separated employee who receives a lump-sum payment under *5 U.S.C. § 5551(a)* prior to separation, must repay the lump-sum payment upon reinstatement to duty. The PRO must restore the employee to duty and cancel the separation, thereby making the lump-sum payment erroneous. The PRO must offset any lump-sum payment received by the employee against the employee’s back pay award and credit the leave to the employee’s leave account. There is no authority that permits an employee to retain the lump-sum payment or receive credit for the leave.

B. **Order of Precedence.** The order of precedence for deducting erroneous payments from back pay awards when the net amount of back pay is insufficient to cover all the deductions is as follows:

1. Retirement annuity payments,
2. Refunds of retirement contributions,
3. Severance pay, then

4. Any lump-sum payment for accrued annual leave.

C. Waiver of Erroneous Payments

1. Retirement Fund Payments. Employees may request the OPM to waive recovery of erroneous payments from the Civil Service Retirement and Disability Fund (CSRDF). Requests for waiver should be submitted to the U.S. Office of Personnel Management, Office of Retirement Programs, Reconsideration and Debt Collection Division, Room 3H30, 1900 E Street, NW, Washington, D.C. 20415. Employees also may submit requests to the same address to repay debts owed to the CSRDF by installment deductions from salary.

2. Waiver of Lump-Sum Annual Leave and Severance Payments. For severance pay and lump-sum annual leave payments, any net indebtedness remaining after liquidation of back pay may be eligible for a waiver of repayment (by the GAO or DFAS, as applicable) under the authority of 5 U.S.C. § 5584.

060508. Other Authorized Deductions from Back Pay

Authorized deductions that would have been made from the employee’s pay (if paid when due) should be made by the PRO in accordance with the normal order of precedence for deductions from pay. See 5 C.F.R. 550.805(e)(3). Authorized deductions include the following:

A. Mandatory Employee Retirement Contributions. The PRO must compute the employee retirement contributions on the employee’s gross back pay subject to retirement, and deduct the contributions after subtracting the earnings from outside employment. Even if no amount of back pay is due because of excessive outside earnings, the employee must be indebted for the appropriate amount of retirement fund contributions. See 5 U.S.C. § 8334(c). If an employee is retroactively placed in an LWOP status under the terms of a settlement agreement or order and no back pay is due, both the employee and agency contributions for the LWOP period must still be submitted to the OPM. Section 5 C.F.R. 842.304(a)(4) granting retirement credit during periods of LWOP without requiring employee contributions does not apply to situations involving retroactively applied LWOP granted under a settlement agreement or order.

B. Social Security and Medicare Taxes. The PRO must compute and deduct the Social Security taxes, also known as Old Age Survivor Disability Insurance (OASDI), and Medicare taxes on the adjusted gross back pay.

C. Federal Income Tax Withholding. The PRO must compute income tax withholdings on the adjusted gross back pay less any part of back pay not subject to income tax deductions. Therefore, if the back pay amount includes any amount not subject to income tax deductions, such as non-foreign area cost-of-living allowances and contributions to TSP, the PRO must compute the taxes after reducing the adjusted gross back pay by these nontaxable amounts.
D. **Insurance Premiums and TSP.** If applicable, health and life insurance premiums and TSP contributions may be made from the remaining back pay due the employee. Health insurance premiums for an employee restored to duty following an erroneous separation for retirement must be deducted if coverage under the health benefits program continued without interruption during the erroneous retirement. The PRO must withhold any additional premiums the employee owes due to a retroactive increase in basic pay. See section 060510.

**E. Flexible Spending Accounts (FSA).** At the request of the employee, FSA contributions may be deducted from the back pay award in the amount that would have been allotted to the employee’s FSA had the unjustified or unwarranted personnel action not occurred. The FSA contributions may be used to cover eligible medical expenses incurred during the corresponding back pay period.

060509. **Restoration of Leave**

A. **Annual Leave.** Annual leave that is restored to an employee as a result of the correction of an unjustified or unwarranted personnel action in excess of the maximum leave accumulation amount authorized by law must be credited to a separate leave account for use by the employee. See 5 C.F.R. 550.805(g). The restored leave must be scheduled and used as provided in this section. If restored leave is not used within the prescribed time frames, it is forfeited. Refer to 5 U.S.C. § 5596(b)(1)(B) for additional information.

1. **Full-Time Employees.** For a full-time employee, excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. This period is extended by 1 leave year for each additional 208 hours of excess annual leave or any portion thereof.

2. **Part-Time Employees.** A part-time employee must schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee’s scheduled tour of duty over a 52 calendar week period by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. The agency will extend this period by 1 leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the employee’s scheduled tour of duty over a period of 52 calendar weeks.

3. **Additional Information**

   a. For both part-time and full-time employees, the ending date of the time limit for use of excess annual leave may not be exactly 2 years from the date on which the annual leave is credited to the separate account (or exactly at the end of any additional year added to the 2-year period). Rather, the time limit ends at the end of the leave year ending 2 years after the restoration. For example, if the 2-year period ends in July, an employee would have until the end of the current leave year (December or January) to use the restored annual leave.
b. To determine the time limitations for use of restored leave, see Volume 8, Chapter 5.

B. Sick Leave. If an employee is reinstated to an agency as a result of an appeal, the agency must reestablish the employee’s sick leave account as a credit or charge as it was at the time of separation. See 5 C.F.R. 630.502. Upon request of an employee, the PRO may grant any sick or annual leave available to the employee for a period of incapacitation if the employee can establish that the period of incapacitation was the result of illness or injury. See subparagraph 060504.B.1 and 5 C.F.R. 550.805(d).

060510. Health Insurance and Life Insurance Coverage

A. Health Insurance. Under 5 U.S.C. § 8908, an employee who was removed or suspended without pay, and who was restored to duty on the grounds that the removal or suspension was unjustified, may elect one of the following options:

1. The employee may have the prior enrollment reinstated retroactive to the termination date, with appropriate adjustments made in contributions and claims, as if no removal or suspension had occurred. If the employee elects to have the enrollment retroactively reinstated, then payroll deductions for the period of suspension or removal must be made from the back pay award and the Government premium contributions should be made as though the suspension or removal had not occurred.

2. The employee may enroll in the same manner as a new employee.

B. Health Insurance Provision for Erroneous Retirement. The statutory provisions of 5 U.S.C. § 8908 do not apply to an employee separated erroneously for retirement under conditions entitling him or her to continued enrollment. In such cases, there is no need to restore health benefits coverage since coverage was transferred to the retirement system and automatically continued. For additional information, refer to the Federal Employees Health Benefits (FEHB) Program Handbook.

C. Life Insurance

1. Withholding for Employees with Coverage at the Time of Removal. If an employee is retroactively restored to duty with back pay after a period of wrongful suspension or separation, no life insurance premium withholding is made from the retroactive pay adjustment for the period of suspension or separation. However, if death or dismemberment occurred during the period of wrongful suspension or separation, premiums are withheld from the back pay. Additionally, if the employee maintains Option C coverage and a covered family member dies during the period of separation or removal, Option C premiums should be withheld from the back pay award. See 5 C.F.R. 880.304 and the Federal Employees Group Life Insurance (FEGLI) Handbook for additional information.

2. Employees with Coverage Who Missed Open Season. If an employee had life insurance coverage prior to a wrongful suspension or removal, and the employee

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is restored to duty after the closing date of an open season for life insurance that occurred during
the employee’s period of wrongful suspension or separation, the employee is entitled upon
restoration to elect additional life insurance coverage as permitted during the open season. The
effective date is the first day in a pay-and-duty status on or after the date the employing office
receives the **SF 2817**, Life Insurance Election.

3. **Employees Who Had No Coverage Prior to Removal.** If an
employee had no life insurance coverage prior to a wrongful suspension or separation, and the
employee is restored to duty after the closing date of open season for life insurance that occurred
during the employee’s period of wrongful suspension or separation, the employee is entitled upon
restoration to elect life insurance coverage as permitted during the open season. Since coverage
for basic life insurance is automatic, the effective date is the first day in a pay-and-duty status. For
options A, B, and C, the effective date is the first day in a pay-and-duty status on or after the date
the SF 2817 is received by the employing office.

060511. TSP

A. **TSP Contributions from Back Pay Award.** An erroneously separated
employee may request that any employee TSP contributions not made during the period of erroneous
separation be deducted from his or her back pay award. The makeup contributions may be elected
by reinstating the employee’s contribution election on file at the time of separation. Alternatively,
the employee may submit a new contribution election if he or she would have been eligible to make
such an election but for the erroneous separation. Breakage or “lost earnings” is paid on all makeup
contributions at the G Fund rate of return (unless otherwise specified by the agency or reinstatement
order). The employee will receive the tax benefit in the year the contributions are made. The PRO
must calculate the TSP amount using the gross basic pay amount of the back pay award prior to
any offset for outside earnings. For additional information, see *5 C.F.R. 1605* or refer to Chapter
11.

*  B. **TSP Contributions when Back Pay is Insufficient.** An employee’s outside
earnings may offset the total amount of back pay owed, or the employee may otherwise have
insufficient back pay to deduct TSP contributions. Basic pay is the only allowable source for TSP
contributions. See *5 U.S.C. § 8432; 5 C.F.R. 1605.11*. An employee’s makeup contributions may
only be made through payroll deductions. TSP contributions may not be made by check, money
order, cash or other form of payment directly from the employee to TSP, or from the employee to
DFAS for deposit with TSP. If no back pay is available for TSP contributions, a current or
reinstated employee may only make up TSP contributions through future payroll deductions. See
5 C.F.R. 1605.

060512. Payment of Reasonable Attorney Fees

Title 5, U.S.C. § 5596(b)(1)(A)(ii) provides for payment of reasonable attorney fees in
accordance with the standards established under *5 U.S.C. § 7701(g)*, under certain conditions.
Under 5 C.F.R. 550.807, an employee, or an employee’s personal representative, may request
payment of reasonable attorney fees related to an unjustified or unwarranted personnel action that
resulted in the withdrawal, reduction, or denial of all or part of the amount due the employee.
060513. Back Pay and Offsetting UCFE

A. If a reinstated employee is entitled to back pay, then the HRO must determine if the employee applied for unemployment compensation via the UCFE Program within the last 52 weeks. If the employee applied for or received unemployment compensation, then the HRO must promptly notify the SESA of the date of the back pay payment, the amount, and the period covered.

B. The DoD will not deduct the amount of unemployment compensation paid during the back pay period from the back pay award unless state law requires the employer (rather than the employee) to reimburse the state for overpayments. In some cases, a state agency may also determine that an overpayment has occurred and notify the Federal Government as the employing agency. See “Comparison of State Unemployment Insurance Laws” published by the DOL at Chapter 5, Table 5-15, 65 Comp. Gen 865 (1986). See also DoDI 1400.25-V850.

*060514. Tax Withholding and Reporting in Back Pay Matters

A. General. For information on proper tax withholding and reporting in back pay matters, refer to IRS Memorandum PMTA 2009-035, Income and Employment Tax Consequences and Proper Reporting of Employment-Related Judgements and Settlements (October 22, 2008). For income tax purposes, the IRS treats all back pay as wages in the year paid.

B. Lump Sum Payments. A settlement or order may require a lump sum payment be issued to the employee in lieu of back pay or as an award of damages. To ensure proper tax reporting and withholding, employing agencies should make every effort to identify the nature of lump sum payment(s) awarded as being wages or non-wages. The PRO must review the nature of the payment before processing and should contact the agency if there is a question as to the identity or apportionment of a lump sum payment.

1. Wages. Generally, if a settlement or order requires the employee be paid a lump sum payment, such payment should be categorized as wages if it is not clearly described as a payment of damages or attorney fees. A lump sum representing wages must be submitted to the PRO as an individual award to ensure proper processing. All Federal and state taxes are withheld from a wage payment, along with OASDI and Medicare taxes. The payment is reported on a W-2.

2. Non-Wages. Lump sum payments of damages are processed by DFAS vendor pay (or other appropriate vendor pay office) and are reported on a 1099-MISC with no taxes withheld.

C. Attorney Fees. Payments to attorneys are generally taxable to the employee. An employee must include in their gross income the entire amount of the judgment or settlement, including the amount paid to the attorney. Depending on how the payment is made, there may be tax reporting to both the attorney and the employee.
D. Judgment Fund Payments. The United States Department of Treasury operates the Judgment Fund under 31 U.S.C. § 1304. Back pay awards may be paid out of the Judgment Fund. Treasury regulations require the agency that submits a request for payment from the Judgment Fund issue the tax reporting. Therefore, for employees paid by DFAS, DFAS will issue the tax reporting on behalf of the employing agency even when the award of back pay or damages is made from the Judgment Fund. See 31 C.F.R. 256.51.

0606 CONTINUATION OF PAY (COP) (INJURY COMPENSATION) FOR FEDERAL EMPLOYEES

060601. General

The Federal Employees’ Compensation Act (FECA), at 5 U.S.C. Chapter 81, provides for the payment of workers’ compensation benefits and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. Regulations governing injury compensation are contained in 20 C.F.R. 10. For additional information, see Injury Compensation in DoDI 1400.25-V810 and the DOL’s FECA Procedure Manual.

A. 45 Calendar Days of COP. Civilian employees are entitled to medical care and compensation for absences due to traumatic on-the-job injuries and disease sustained while in the performance of duty. Traumatic injury is not the same as disability from occupational disease. Eligible employees are entitled to up to 45 calendar days of COP for traumatic injury.

B. OWCP. The U.S. DOL OWCP administers the FECA through district offices. Each HRO maintains the address of the district office servicing its region.

060602. COP Procedures

A. Entitlement to COP. An employee who sustains a disabling job-related traumatic injury is entitled to the continuation of regular pay for a period not to exceed 45 calendar days for each occurrence. The pay is subject to OASDI and/or Medicare, Federal, state, and local tax, retirement, and all other normal deductions. The pay for a separated employee (unless the date of termination has been established prior to the injury) who is entitled to COP will be subject to OASDI and/or Medicare, Federal, state, and local tax, if appropriate. The PRO may not take any additional deductions. The injured employee’s pay will continue unless the DOL denies the claim.

1. Regular Pay. For COP purposes, regular pay is defined as follows:

   a. Full-Time and Part-Time Employees. For a full-time or part-time employee who works the same number of hours per week, the weekly pay rate must be equal to the number of hours regularly worked each week times the hourly pay rate on the date of injury including premium pay, night or shift differential, holiday pay, and other extra pay, exclusive of overtime.
b. **Part-Time Employees Only.** For a part-time employee who does not work the same number of hours per week, the weekly pay rate will be the average weekly earnings for the 1-year period before the date of injury, exclusive of overtime.

c. **Intermittent Employees.** For an intermittent or part-time employee, either permanent or temporary, who does not work each week of the year (or the period of appointment), the weekly pay rate equals the average of the employee’s weekly earnings during the 1-year period before the injury. It is computed based on the total earnings divided by the number of weeks worked (partial weeks worked are counted as whole weeks). The annual earnings used for this computation must not be less than 150 times the average daily wage earned within 1 year before the date of injury.

2. **Premium Pay.** Standby premium, night or shift differential, holiday pay, or other extra pay should be included in regular pay in all instances. Overtime pay is not a part of COP, except in the case of firefighters and law enforcement officers. If a salary increase (e.g., pay raise, step increase, promotion) occurs during the 45-day period, then the PRO will use the new salary rate as of the effective date of the increase for computing the remaining COP.

B. **Controverting a Claim.** An agency may object to paying a claim for COP in a process referred to as “controverting a claim.” The employing activity may controvert a claim by completing the indicated portion of *Form CA-1*, Federal Employee’s Notice of Traumatic Injury and Claim for COP/Compensation, and submitting detailed information in support of the objection to the OWCP. See 20 C.F.R. 10.221.

C. **Denial of COP.** COP is not payable when one of the following occurs (see 20 C.F.R. 10.220):

1. A traumatic injury is not the cause of the employee’s disability;
2. The employee is not a U.S. or Canadian citizen;
3. The employee does not file a written claim within 30 days of the date of injury;
4. The injury was not reported until after separation from employment;
5. The employee received the injury away from the activity’s premises and the employee was not performing his or her official duties;
6. The injury was due to the employee’s own willful misconduct, intent to injure himself/herself or another person, or the injury was proximately caused by intoxication by alcohol or illegal drugs; or
7. The work did not stop until more than 45 calendar days after the injury.
D. **Termination of COP Already Begun.** Generally, COP should continue after the employee stops work due to a disabling injury. Pay may be stopped only when at least one of the following circumstances is present (see 20 C.F.R. 10.222):

1. The employee does not provide *prima facie* medical evidence of a work-related injury within 10 calendar days after he/she submits a claim for COP;

2. The treating physician provides medical information to the activity indicating that the employee is not disabled from his or her regular position;

3. The treating physician provides medical information to the activity indicating the employee is not totally disabled, and the employee refuses a written offer of a suitable alternative position;

4. The OWCP provides notification to the activity to terminate COP;

5. COP has been paid for 45 calendar days;

6. The employee’s scheduled term of employment expires, and the date of termination is prior to the date of injury; and/or

7. The employee returns to work with no loss of pay.

E. **COP Suspended When Employee Obstructs a Medical Examination.** If an employee or his or her representative refuses or obstructs a medical examination, the right to receive COP is suspended until the refusal or obstruction ceases. COP already paid or payable for the period of suspension is forfeited. If already paid, COP may be charged to annual or sick leave or considered an overpayment of pay consistent with 5 U.S.C. § 5584. See 20 C.F.R. 10.223.

F. **COP and Disciplinary Actions.** If a preliminary notice regarding a disciplinary action was issued to the employee before the date of the injury and the action becomes final or otherwise takes effect during the COP period, COP may be interrupted or stopped. See 20 C.F.R. 10.222.

G. **COP Period.** The COP period is 45 calendar days. If the employee has stopped work because of the disabling effects of the injury, then the period starts at the beginning of the first full day or first full shift on which the disability begins. If disability occurs on the date of injury, do not count the remainder of that day or shift as COP. If the employee stops work for a portion of a day or shift, other than the day or shift when the disability begins, then that day or shift is 1 calendar day. When an employee is injured but not immediately disabled because of the injury, the 45 days begins on the first full day or the first full shift when the disability begins. The initial use of COP must begin within 45 days of the date of injury or the employee is only entitled to compensation from the OWCP. The employee’s scheduled non-workdays are included in determining the 45 days if medical evidence supports that the employee is disabled; however, there will be no COP paid for those non-workdays. See 20 C.F.R. 10.215.
H. Light-Duty Status

1. When a determination is made that an employee is capable of performing light-duty after an on-the-job injury, COP is still chargeable against the 45-day entitlement if a personnel action has been issued in order to:

   a. Assign or detail the employee to an identified position for which a position description exists which is classified at a lower salary level than that earned by the employee when injured,

   b. Change the employee to a lower grade or to a lower rate of basic pay, or

   c. Change the employee to a different schedule of work that results in loss of salary or premium pay (other than Sunday premium) authorized for the employee’s normal administrative workweek.

2. An employee placed in light-duty who refuses to work after the offer of suitable work is not entitled to COP. See 20 C.F.R. 10.217 and 10.517.

I. Recurrence of Disability. If an employee returns to work and then becomes disabled again and stops work, the PRO may continue COP only if the 45 calendar days of entitlement to COP were not completely used during the initial period of disability. For COP to be continued, the employee must have experienced the recurrence of the disability and stopped working within 45 days of the time the employee first returned to work following the initial period of disability. When a recurrence happens after the 45-day window has expired, the PRO must discontinue the regular pay, even if some of the 45 days of COP eligibility may remain unused. In this event, the employee is only entitled to compensation payable by the OWCP and is not entitled to COP. See 20 C.F.R. 10.207.

J. Use of Annual or Sick Leave Instead of COP

1. Application of the 45-Day COP Period. An employee may use annual, sick, or advanced leave to cover all or part of an absence due to an injury. If an employee elects to use leave, then count each full or partial day the employee takes leave against the 45 days of COP entitlement. If an employee uses COP intermittently along with sick or annual leave, the COP entitlement period is still limited to 45 days. An employee may not use annual or sick leave to delay or extend the 45-day COP period.

2. One-Year Limitation to Elect COP in Lieu of Annual or Sick Leave. There are times when the employee may elect sick, annual, or advanced leave and the election is irrevocable. However, if an employee who has elected to use annual or sick leave for the period is otherwise eligible to elect COP instead, then the employing activity must make that change on a prospective basis from the date of the employee’s request. The employee may receive COP in lieu of previously requested annual or sick leave provided the employee makes the request within 1 year of either the date the leave is used or written approval of the claim was granted, whichever
is later. To authorize a change from annual or sick leave to COP, a corrected time-and-attendance report is required.

3. **Leave Status of Employees**

   a. **Leave Status When Injury Exceeds 45 Days.** Employees who are eligible for COP must be placed in a leave status for time lost from work due to injury that is in excess of the 45-day COP period. During this period, an employee may take annual leave, sick leave, advanced leave, or LWOP until the OWCP approves the employee’s claim for compensation. The employee should be in an LWOP status if the employee is receiving the OWCP compensation after the 45-day period.

   b. **Leave Status of Employees Who Are Ineligible for COP.** Employees who are ineligible for COP must be in a leave status during an absence due to injury. Employees may take annual leave, sick leave, advanced leave, or LWOP while awaiting a decision from the OWCP on their claims. Employees must be in an LWOP status while receiving the OWCP compensation. These employees may buy back, and have reinstated, annual and sick leave used for time lost from work due to injury if the OWCP approves their claims for compensation.

060603. **Buy Back of Leave**

   A. **General.** If an employee is found eligible to receive OWCP compensation and the employee used sick, annual or a combination of both types of leave during a period of disability extending beyond the 45-day COP period, the employee may arrange with the PRO to buy back the leave used (referred to as “leave buy back”). Note: Any sick or annual leave used during the 45-day COP period is not eligible for leave buy back unless the employee was not entitled to COP (see subparagraph 060602.D). An employee may not receive dual compensation for pay and leave plus the OWCP compensation for lost time due to injury. Leave will be reinstated when bought back. See 20 C.F.R. 10.425.

   B. **Time Limit for Submitting a Claim for Leave Buy Back and Payment Arrangements.** The C4-7, Claim for Compensation, for leave buy back must be submitted within one year of the date the leave was used or the claim was accepted, whichever is later. The PRO will arrange with the OWCP to have compensation for the buy back period paid directly to that office. After receipt, the PRO will notify the employee of the repayment amount and method of repayment.

   C. **Effect of Leave Buy Back.** Leave buy back will reduce an employee’s earnings. An employee is placed in LWOP status, which may result in leave accrual reduction, reduced retirement contributions, and reduced TSP contributions. Employees may be required to pay health insurance and income taxes.

   D. **Leave that is Not Eligible for Buy Back.** Employees who are eligible for COP who take annual, sick, or advanced leave for time lost due to injury instead of COP during the 45-day COP period are not eligible for the OWCP compensation for that leave. These employees may not buy back the annual or sick leave and have it reinstated.
E. Computation. The PRO must recover any gross amount paid for leave used during a period retroactively covered by the OWCP compensation. Certain deductions are recoverable by payroll adjustment. The amount recovered from the employee and/or the OWCP will depend on whether payment for leave is paid in the current or prior year. See Figures 6-3 and 6-4 for examples.

F. Current Year Recovery

1. Deductions. The amount collected for leave payments made in the current calendar year will be the net pay plus deductions for:

   a. Bonds,
   b. Savings allotments,
   c. Alimony/Child support,
   d. Rent,
   e. Indebtedness to the United States, and
   f. Other deductions the employee received value but not otherwise collected.

2. Reversed Deductions. Current Deductions that will be reversed (if applicable and if the moneys are recovered) in the payroll system are:

   a. CSRS or FERS;
   b. OASDI and/or Medicare;
   c. Federal, state, and local taxes;
   d. FEHB (if the OWCP payment is for more than 28 days);
   e. FEGLI (basic and optional);
   f. TSP;
   g. Union dues;
   h. Charitable contributions; and
   i. Military service credit deposits and civilian service credit deposits.
3. **Other.** The PRO must make adjustments in the payroll system to earnings-to-date for those items other than the reversed deductions. Amounts collected from the employee and/or the OWCP must be taken up as a cash refund on a voucher for disbursement and/or collection.

G. **Prior Year Recovery**

1. **Amount Collected.** The amount to be collected for leave payments made during a prior year will be the gross amount less CSRS/FERS, OASDI and/or Medicare, TSP, FEHB (if the OWCP payment is for more than 28 days), and FEGLI (basic and optional). The PRO must post the credit to the CSRS/FERS as a separate credit line item on the **SF 2806**, Individual Retirement Record CSRS, or the **SF 3100**, Individual Retirement Record FERS, fiscal side indicating the year the adjustment was made with an explanation in the “Remarks” column. No adjustments are authorized for Federal, state, and local income taxes.

2. **Separating Employees.** When an employee separates or at the end of the payroll year, the PRO must prepare an IRS **W-2**, Wage and Tax Statement, as appropriate, but may not include any tax adjustments for a prior year. The PRO must prepare a certified statement to go with the current year’s W-2 stating that a refund for prior year was paid in the amount of $XX.XX, but that the gross wages shown on the current year W-2 were not reduced by the amount of the refund.

H. **Partial Payroll Deductions.** If circumstances warrant, the employee may repay through partial payroll deductions, the amount due from the employee (after recovery of the amount repaid by the OWCP). The PRO will not reverse deductions under subparagraph 060603.F.2 until the full amount is paid.

I. **Recrediting of Leave.** Credit the full amount of leave used during the buy back period to the employee’s leave account. The PRO will not recredit leave bought back until the total amount is repaid.
0607 EMERGENCY EVACUATION PAYMENTS

060701. Purpose

The DoD Joint Travel Regulation, Chapter 6, Part B identifies the responsibilities of the PRO in the event the proper authorities declare an official emergency evacuation of civilian employees. The PROs will use the guidelines to determine whether it is appropriate to make advance payments to employees based on an ordered evacuation for military actions, natural disasters or other reasons that create imminent danger to lives and property. This section applies to areas located within the United States based on the provisions of 5 C.F.R., Part 550, Subpart D and outside of the United States based on the provisions of the Department of State Standardized Regulations (DSSR), Chapter 600.

A. Eligibility. This guidance pertains to the DoD and DoD Component employees when an official evacuation is declared. For additional information, see the Defense Civilian Personnel Advisory Service Emergency Preparedness website.

B. Forms. The Department of Defense (DD) Form 2461, Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees, authorizes and records emergency payments to employees and dependents. The PRO is responsible for maintaining this record of payments on the employee’s permanent pay account. In appropriate cases, information on this form may be disclosed to other Federal agencies (i.e., the Social Security Administration, the IRS, and the OPM), to state and local taxing/welfare authorities, and to certain private organizations for crediting payments to the employee’s account. The PRO must receive DD 2461 before making payment of amounts due the evacuated civilian employees or family members.

C. Determining Entitlements and Payee. Determine specific rates of entitlement, duration of evacuation/departure payments, and eligible payees as follows:

1. For employees at foreign installations, use the DSSR, Chapter 600.

2. For employees within the United States, use 5 C.F.R. Subpart D.

D. Payments. Compute employee’s payments at the rate they are entitled to immediately before the order of evacuation/departure. Adult family members or designated representatives may receive payments in the form of allotments. The PRO must make all advance payments (and any necessary adjustments) according to the DoD Component’s procedures.

060702. Transmission of Data to Safe-Haven Post

A. Methods of Transmission. After authorities issue an evacuation order, the PRO must immediately forward all significant payroll data from the evacuated installation to the safe-haven post. The forwarding of data is critical in order to support further payments. Some possible methods of forwarding payroll data to the safe-haven post are the following:
1. Shipping machine or manual listings of data;

2. Shipping the last complete payroll together with appropriate notations and changes;

3. Transmitting essential data over available telephone, telegraph, or radio lines;

4. Shipping the actual payroll, leave, and other appropriate records; and/or

5. Providing the evacuated employees and dependents at the time that the evacuation is ordered with a statement of essential data in a locally reproduced format.

B. Considerations. The physical conditions and circumstances at the evacuation installation will determine the method and timing for transmitting data. Safeguarding and preserving payroll leave, and travel records are matters of primary concern because of the continuing need for the records after the conditions, which gave rise to the emergency evacuation have been resolved. Take all necessary steps to safeguard and preserve the records at the safe-haven post.

060703. Action Upon and During Evacuation

To the extent possible and practicable, the PRO must pay employees and dependents remaining at the evacuated installation in accordance with the normal fiscal procedures of that installation. A special advance payroll may be prepared in accordance with normal payroll procedures and charged against the appropriate funds available to the evacuated installation for authorized advance payments.

060704. Actions After Evacuation

A. Review of Accounts. The PRO having jurisdiction over the employee’s account will review his or her account for the purpose of making adjustments at the earliest possible date after the evacuation is terminated (or earlier if circumstances apply), or after the employee returns to his or her duty station, or when the employee is officially reassigned. See 5 C.F.R. 550.408.

B. Reconcile Amounts Paid. The PRO will adjust the employee’s pay on the basis of the rates of pay, allowances, or differentials, if any, to which he or she would otherwise be entitled. Any adjustments will reflect any advance payments the employee may have received. If it is found that the employee is indebted for any part of the advance payment(s) made to him or her, or to his or her dependent(s), or designated representative, the PRO having jurisdiction over the account must recover the debt, unless a waiver has been approved. See 5 C.F.R. 550.408.
060705. Evacuation Payments During a Pandemic Health Crisis

An agency may direct an employee to work from home or a mutually agreed upon alternative location during a pandemic health crisis. The designated location is the safe-haven location during a pandemic health crisis and is used as an alternate work site only during the pandemic crisis. The agency may make special allowance payments to the employee, as determined on a case-by-case basis, to help defray additional expenses caused by the crisis. See 5 C.F.R. 550.409.
Figure 6-1. Example 1 - Format of Back Pay Computation

An employee’s gross back pay computation is $32,420, as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic pay</td>
<td>$31,000.00</td>
</tr>
<tr>
<td>Overtime pay</td>
<td>$300.00</td>
</tr>
<tr>
<td>Holiday pay</td>
<td>$120.00</td>
</tr>
<tr>
<td>On-call pay</td>
<td>$1,000.00</td>
</tr>
</tbody>
</table>

The employee received lump-sum payments in the amount of $1,000, and net retirement payments (gross retirement less the amounts withheld for health insurance premiums and for post-retirement basic life insurance premiums) amounting to $10,000. During the period covered by the corrective action, the employee earned $11,000 from outside employment (interim earnings).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross back pay</td>
<td>$32,420.00</td>
</tr>
<tr>
<td>Less outside earning</td>
<td>($11,000.00)</td>
</tr>
<tr>
<td>Subtotal (Adjusted Gross Back Pay)</td>
<td>$21,420.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less erroneous payments</td>
<td></td>
</tr>
<tr>
<td>Erroneous Retirement Annuity payments</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Erroneous lump-sum payments for annual leave</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>Total</td>
<td>($11,000.00)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$10,420.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less other authorized deductions</td>
<td></td>
</tr>
<tr>
<td>Retirement deductions (CSRS) computed on gross basic pay ($31,000)</td>
<td>$2,170.00</td>
</tr>
<tr>
<td>TSP computed on gross basic pay ($31,000 - if applicable)</td>
<td>00.00</td>
</tr>
<tr>
<td>Federal tax computed on adjusted gross back pay ($21,420)</td>
<td>$5,355.00</td>
</tr>
<tr>
<td>State tax computed on adjusted gross back pay ($21,420)</td>
<td>$856.80</td>
</tr>
<tr>
<td>Medicare computed on adjusted gross back pay ($21,420)</td>
<td>310.59</td>
</tr>
<tr>
<td>Health Insurance Premiums</td>
<td>$1,116.00</td>
</tr>
<tr>
<td>Total</td>
<td>($9,808.39)</td>
</tr>
<tr>
<td>Net back pay</td>
<td>$611.61</td>
</tr>
</tbody>
</table>
Figure 6-2. **Example 2 - Format of Back Pay Computation**

An employee’s gross back pay computation (based on basic pay only) is $10,000. During the period covered by the corrective action, the employee earned $7,000 from outside employment (interim earnings).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross back pay</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Less interim earning</td>
<td>($7,000.00)</td>
</tr>
<tr>
<td>Subtotal (Adjusted Gross Back Pay)</td>
<td>$3,000.00</td>
</tr>
<tr>
<td>Less authorized deductions</td>
<td></td>
</tr>
<tr>
<td>Retirement deductions (CSRS) computed on gross back pay ($10,000)</td>
<td>$700.00</td>
</tr>
<tr>
<td>Federal tax computed on adjusted gross back pay ($3,000)</td>
<td>$750.00</td>
</tr>
<tr>
<td>State tax computed on the adjusted gross back pay ($3,000)</td>
<td>$120.00</td>
</tr>
<tr>
<td>Medicare computed on the adjusted gross back pay ($3,000)</td>
<td>43.50</td>
</tr>
<tr>
<td>Total deductions</td>
<td>($1,613.50)</td>
</tr>
<tr>
<td>Net back pay</td>
<td>$1,386.50</td>
</tr>
</tbody>
</table>
Figure 6-3. Example 1 - Buy Back of Leave Computation – Sick Leave for Full Pay Period

<table>
<thead>
<tr>
<th>PP#</th>
<th>HRS</th>
<th>GROSS</th>
<th>CSRS</th>
<th>FICA/MED</th>
<th>TAX</th>
<th>FEHB</th>
<th>FEGLI</th>
<th>OPT</th>
<th>FEGLI</th>
<th>CHARITY</th>
<th>UNION</th>
<th>DUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>80</td>
<td>$680.80</td>
<td>47.66</td>
<td>9.87</td>
<td>120.57</td>
<td>31.50</td>
<td>5.50</td>
<td>16.00</td>
<td>2.00</td>
<td>1.75</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ALLOT  TSP   NET  
50.00   10.00  $385.95

Current Year Recovery:

Net Pay          $385.95
Allotment        50.00
Charity          2.00
Amount of repayment  (437.95)
Amount of OWCP check (75% X 680.80)  510.60
Amount due employee   $ 72.65

Prior Year Recovery:

Net Pay          $385.95
Allotment        50.00
Tax              120.57
Charity          2.00
Health Insurance Premiums  31.50
Union dues       1.75
Amount of repayment  (591.77)
Amount of OWCP check (75% X 680.80)  510.60
Amount due from employee  ($81.17)
Figure 6-4. **Example 2 - Buy Back of Leave Computation – Sick Leave for Less Than a Full Pay Period**

<table>
<thead>
<tr>
<th>PP#</th>
<th>HRS</th>
<th>GROSS</th>
<th>CSRS</th>
<th>MED</th>
<th>TAX</th>
<th>FEHB</th>
<th>FEGLI</th>
<th>OPT</th>
<th>FEGLI</th>
<th>CHARITY</th>
<th>DUES</th>
<th>ALLOT</th>
<th>NET</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>80</td>
<td>$680.80</td>
<td>47.66</td>
<td>9.87</td>
<td>120.57</td>
<td>31.50</td>
<td>5.50</td>
<td>16.00</td>
<td>2.00</td>
<td>1.75</td>
<td>50.00</td>
<td>$395.95</td>
<td></td>
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<tr>
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VOLUME 8, CHAPTER 7: “DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DoDEA) EMPLOYEES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated February 2014 is archived.

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<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
<td>All</td>
<td>Renumbered sections and paragraphs where applicable.</td>
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<tr>
<td>0701</td>
<td>Added General Section to the beginning of the chapter.</td>
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<tr>
<td>070204</td>
<td>Revised information concerning retroactive pay adjustments for clarity.</td>
<td>Revision</td>
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<tr>
<td>070206</td>
<td>Moved sentence, “Substitute teachers are not eligible for step increases.” from subparagraphs 070206A,(1) and (5) to the front part of paragraph 070206 for clarity.</td>
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<tr>
<td>070210</td>
<td>Updated reference from the Joint Travel Regulation, Volume 2 to the Joint Travel Regulations. This paragraph was 070111 in the previous version.</td>
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<tr>
<td>070402</td>
<td>Removed sentence about civilian payroll offices retaining educators in a pay status during summer recess. The sentence is contradictory to the first sentence of the paragraph.</td>
<td>Deletion</td>
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<tr>
<td>070501, 070502, 070503</td>
<td>Added “262 days” into the formula to compute the school year rate since sometimes a fiscal year can have 260, 261, or 262 working days.</td>
<td>Addition</td>
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CHAPTER 7

DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DoDEA) EMPLOYEES

*0701 GENERAL

070101. Purpose

This chapter establishes policy and procedures for the pay and leave of the Department of Defense Education Activity (DoDEA) employees employed under the Teaching Position (TP) Pay Plan. These employees include teachers, principals, administrators, instructional systems specialists (ISS), guidance counselors, social workers, nurses, and school psychologists.

070102. Authoritative Guidance

Title 20, United States Code (U.S.C.) Sections 901-907 govern the salaries and personnel practices applicable to educators employed overseas by the Department of Defense Dependents Schools (DoDDS) on a school year basis. The pay and personnel practices are implemented by policies and regulations issued by the DoDEA under the authority and direction of the Secretary of Defense. The regulations on pay include DoDEA Regulation 1400.13, Salaries and Personnel Practices Applicable to Teachers and Other Employees of the DoDDS; and Dependent Schools (DS) Regulation 5301.4, DoDDS Salaries and Personnel Practices Applicable to Principals and Assistant Principals. These policies and regulations differ considerably from those applicable to other federal civilian employees paid under Title 5 U.S.C. or other statutes.

0702 TEACHING POSITION (TP) PAY PLAN

Individuals, such as educators and administrators who hold a Teaching Position (hereinafter referred to as educators, administrators, and ISS employees) as defined in 20 U.S.C. 901 are governed by the policies and regulations prescribed by DoDEA. Educators including teachers, social workers, guidance counselors, school psychologists, and nurses earn a school year salary based on 190 duty days (also referred to as working days) and are paid out over 21 pay periods. Administrators including school principals and assistant principals earn a school year salary based on 222 duty days and are paid out over 26 pay periods. ISS employees (educator positions that support DoDEA schools above the school level, rather than at the school level) earn a school year salary based on 222 duty days and are paid out over 26 pay periods. Educators, administrators, and ISS employees do not earn annual, sick, or home leave under Title 5 U.S.C., but instead are entitled to “educator’s leave” under 20 U.S.C. 904.

070201. School Year

A. Educators. The school year for educators consists of 190 duty days and includes not less than 175 days of classroom instruction. The 190 duty days include the time required before and after the dates that school is in session when educators must prepare for the opening and closing of school. The school year calendar may be adjusted after the school year begins with no change in school year salary, as long as 190 duty days are required and not less
than 175 days of classroom instruction are provided. If the school year extends beyond 190 duty
days, the educator will be compensated at the appropriate daily rate as of the 191st working day.
Should an emergency preclude completion of a full school year, an educator will be furloughed,
separated, or their salary continued until the full school year salary has been paid.

B. Administrators. The school year for administrators consists of 222 duty
days and includes not less than 175 days of classroom instruction and whenever the services of a
majority of educators at the school are required. The school year calendar may be adjusted after
the school year begins with no change in school year salary as long as the 222 duty days are
required for principals and assistant principals and not less than 175 days of classroom instruction
are provided. If the school year extends beyond 222 duty days during a given school year (e.g.,
August 1 through July 31), the administrator is compensated at the appropriate daily rate as of the
223rd working day. Should an emergency preclude completion of the full school year, the
administrator will be furloughed, separated, or their salary continued until the full school year
salary has been paid.

C. ISS Employees. The school year for an ISS employee consists of 222 duty
days (August 1 through July 31), the same schedule for administrators. ISS employees coordinate
their 222-day schedule with their supervisors at the start of the school year.

D. Overseas School Year Calendars. Overseas school year calendars issued by
DoDEA may vary due to local customs and holidays. The calendars identify the first and last duty
days of the school year, instructional days, and recess days for educators and students. DoDEA
provides a copy of school calendars to the servicing payroll office not later than 4 weeks prior to
the first duty day of the new school year. Any changes to the calendars will be submitted as soon
as possible.

070202. Work Schedules

Educators, administrators, and ISS employees are scheduled to work in full or half day
increments and work either a seasonal part-time or seasonal full-time schedule. Substitute teachers
work an intermittent work schedule.

070203. Salary Schedules

The Department of Defense Wage and Salary Division (DoD WSD) conducts an annual
survey of the salaries of urban school jurisdictions in the United States (U.S.) with 100,000 or
more population in order to establish the rates of basic compensation for teachers and teaching
positions in the DoD. The DoD WSD issues Pay Plan salary schedules in April or May of the
current school year. The schedules are effective retroactive to August 1 of the current school year
(i.e., the prior calendar year). Until the salary schedules for the current school year are issued,
educator, administrator, and ISS employee salaries are based upon the prior school year salary
schedules. Separate salary schedules are issued for educator, management, specialist, and
administrator overseas school year positions. Salary schedules are further differentiated by step
and academic salary lane (i.e., Bachelor’s, Bachelor’s plus 15, Bachelor’s plus 30, Master’s,
Master’s plus 15, Master’s plus 30, and Doctorate). The following salary schedules currently are in use:

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<td>D</td>
<td>Speech Pathologists or Social Workers</td>
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<td>Guidance Counselors</td>
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<td>O</td>
<td>Instructional Systems Specialist (ISS) – non-supervisory</td>
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<tr>
<td>P</td>
<td>Supervisory Instructional System Specialist (ISS)</td>
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*070204. Retroactive Pay Adjustment*

After the DoD WSD issues the salary schedule in April or May of the current school year, the servicing human resources office processes a retroactive pay adjustment effective August 1 of the current school year (i.e. prior calendar year) using a, Standard Form (SF) 50, Notification of Personnel Action. The servicing payroll office then reconciles educator, administrator, and ISS employee pay and makes any necessary “retro payments” based on increases in salary. The gross amount of the retroactive adjustment computed under the new salary schedules are subject to applicable withholdings (e.g., Civil Service Retirement System (CSRS) or Federal Employee Retirement System (FERS), federal income tax, Social Security tax, Medicare tax, and state income tax). When the retroactive adjustment is processed, biweekly deductions for the following will be adjusted accordingly:

A. Basic and Optional Federal Employees Group Life Insurance (FEGLI);

B. Thrift Savings Plan (TSP);

C. TSP basic one percent and matching employer contributions for FERS employees.

Likewise, when the retroactive adjustment is processed, biweekly payments for foreign post allowance and foreign post differential will be adjusted accordingly.

*070205. Daily/Biweekly Pay*

See Section 0705 regarding compensation for educators, administrators, and ISS employees.
Step increases for educators, administrators, and ISS employees are similar to step increases for General Schedule (GS) employees. Generally, steps 1 through 14 are regular step increases and steps 15 through 18 are longevity steps. Substitute teachers are not eligible for step increases.

A. Eligibility.

1. A full-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least 150 duty days during their last previous school year as an educator.

2. A full-time educator assigned to a 190-day position may receive a longevity step increase (steps 15 through 18) provided they have been in a pay status at least 150 duty days during each of the previous 4 school years as an educator.

3. A half-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least one-half of 150 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after they have been in a pay status at least one-half of the 150 working day minimum during each of the previous 8 school years.

4. A full-time administrator assigned to a 222-day position may receive a step increase (steps 1 through 10) provided they have been in a pay status at least 175 duty days during their last previous school year as an administrator.

5. A full-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least 175 duty days during their last previous school year as an educator.

6. A full-time ISS employee assigned to a 222-day position may receive a longevity step increase (steps 15 through 18) provided they have been in a pay status at least 175 duty days during each of the previous 4 school years as an educator.

7. A half-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least one-half of 175 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after they have been in a pay status at least one-half of the 175 working day minimum during each of the previous 8 school years.

8. A full-time educator assigned to a 190-day position may be entitled to receive an annual step increase (or service credit towards a longevity step) for the last satisfactory year of service, plus an additional annual step (or service credit) for the first year of absence, only upon return to duty after successfully completing a program of study or employment of one or more years under the Administrative Reemployment Rights Program.
B. **Effective Date.** Step increases will be made effective August 1 of each school year following completion of the school year. However, the step increase is not payable until the educator returns to duty for the subsequent year. The effective date of a step increase is not changed by a movement to a higher or lower salary schedule.

070207. **Late Arrival at Post**

A. Educators newly recruited from the Continental United States are appointed with the understanding that they will serve for an entire school year or a specified partial month. An educator who through no personal fault and as a result of transportation or processing delays after selection for appointment, arrives late at the post of assignment, will be administratively excused and paid as if they arrived on time and actually served during the lost time. The offer letter from DoDEA must be dated 14 days prior to the teacher’s reporting date.

B. Educators, other than as described in subparagraph 070207.A, who arrive late at the post of assignment after the start of the school year, will not be paid for the duty days occurring prior to the day of arrival at the assigned post unless granted paid leave by the supervisor.

070208. **Early Arrival at Post**

A. Educators who arrive at their post of assignment prior to the start of the school year normally are not entitled to compensation until the start of the school year except as provided in subparagraph 070208.B.

B. Educators who are required to report at their post of assignment and perform work prior to the start of the school year will be compensated at their daily salary rate from the prior school year salary schedule for each day worked. Note: This salary is not subject to retroactive adjustment.

070209. **Late Departure from Post**

Educators who are unable to depart promptly after the end of the school year for personal reasons or because of circumstances beyond their control (e.g., lack of available transportation), are not entitled to compensation for the period between the end of the school year and the date of departure.

*070210. **During Travel**

While en route during a permanent change of station (PCS) between school years, an educator is in a non-pay status; therefore, basic compensation is not received. While en route during a PCS between school years, a principal or assistant principal otherwise in a non-pay, non-duty status will remain in a non-pay status and will receive appropriate per diem payments as provided in the [Joint Travel Regulations](https://www.doe.gov).
070211.  Work at More than One Post of Assignment

A.  When educators PCS during the school year, action will be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the educator will receive the full school year salary to which their entitled. If the total number of days actually worked during the school year, to include paid leave at the former duty station and the new duty station, exceed 190, the educator will be paid at the daily rate for any days worked in excess of 190 days.

B.  When administrators or ISS employees PCS during the school year, action will be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the administrator or ISS employee will receive the full school year salary to which he or she is entitled. If the total number of days actually worked during the school year, to include paid leave at the former duty station and the new duty station, exceed 222, the employee will be paid at the daily rate for any days worked in excess of 222 days.

070212.  Substitute Teachers

A.  School Year Substitute Teachers. A substitute teacher will receive the flat daily rate prescribed under Salary Schedule A. The minimum increment paid for substitute work is one-half day.

B.  Summer School Substitute Teachers. The daily rate for a summer school substitute teacher is provided in the Salary Schedule for “Other Compensation” and is two-thirds of the regular school year substitute teacher rate established for the prior school year. This salary is not subject to retroactive adjustment. For example, the prior school year rate for a 2010 summer school substitute teacher is published in the 2009-2010 salary schedules. The minimum increment earned and paid is one-half day the equivalent of one-third of the regular substitute teacher rate. Substitute teachers who teach an academic enrichment K-8 program during the summer recess period will be paid a stipend as authorized by the memorandum of understanding (MOU).

070213.  Allowances and Differentials

Educators, administrators, and ISS employees may be entitled to certain allowances and differentials such as government quarters, living quarters allowance (LQA), temporary quarters subsistence allowance (TQSA), separate maintenance allowance (SMA), post allowance, post differential and/or storage of household goods. See paragraph 070506 for payment information on post allowances and foreign post differentials for Pay Plan employees. See Chapter 3, paragraph 030402 for payment information on LQA, TQSA, and SMA. An educator employed as a substitute is not entitled to government quarters, quarters allowance, post allowance, post differential, or storage of household goods.
0703 LEAVE

070301. Accrual of Leave

A. Educators. Under 20 U.S.C. 904, educators (excluding substitute teachers) are entitled to cumulative leave with pay. This leave is identified as educator leave. If the school year consists of less than 8 months, the leave accrues at the rate of 1 day for each calendar month worked or partial month. When the school year includes more than 8 months, an employee who serves the entire school year is entitled to 10 days of cumulative educator leave with pay for the school year. The full school year accumulation of leave is credited to the employee’s leave record when the school year begins (normally in August) or whenever the employee enters on duty (e.g., after the start of the school year) under DS Regulation 5630.4, DODDS Absence and Leave.

B. Administrators and ISS Employees. Administrators and ISS employees are entitled to earn 13 days of cumulative educator leave with pay under 20 U.S.C. 904 and DS Regulation 5301.4. Leave is credited to the employee’s leave record on August 1st of each year.

C. Liquidation of Unused Leave Upon Separation. If the educator, administrator, or ISS employee is separated for any reason before the school year ends, any leave that has been credited but not earned will be subtracted from the leave balance or, if already used, a debt will be established and appropriate collection action taken.

D. Leave Accrual for Part-Time Educators and Part-Time ISS Employees. Educators and ISS employees who are regularly employed on a part-time basis earn leave in an amount proportionate to the amount of time the part-time employees are regularly employed as compared to full-time employment. Part-time ISS employees, such as those in a job-sharing arrangement, earn 6.5 days per year (or one-half day (4 hours) per pay period, if less than 8 months remain in the school year).

Example 1: A part-time educator appointed to a part-time position for the full school year. The educator is scheduled to work one-half day on each duty day during the regular school year. The educator is entitled to accrue 10 half days (5 full days) of educator leave.

Example 2: A part-time educator appointed to a part-time position for the full school year. The educator is scheduled to work each Tuesday and Thursday during the regular school year. The educator is entitled to accrue two-fifths (4 days) of the 10 days of educator leave that would be earned during full-time employment.

Example 3: A part-time educator appointed to a part-time position for the last semester (one-half) of the school year. The educator is scheduled to work one-half day on each scheduled duty day during the semester. The educator is entitled to accrue one-fourth (2.5 days) of educator leave.

E. Substitute Teachers. Substitute teachers are employed in positions on a temporary intermittent basis and are not entitled to earn leave.
F. **Summer Recess Period.** Educators and administrators who perform activities during the summer recess period do not earn leave.

070302. **Leave Usage**

A. **Minimum Charge.** The minimum charge for educator leave is one-half day, and additional charges are in multiples thereof. An occasional absence from duty of less than one-half day may be excused for adequate reasons without charge to educator leave, at the discretion of administrative authority. Leave charges are reported to the civilian payroll office on the TP educator’s time and attendance report.

B. **Authorized Absences.** An educator, administrator, or ISS employee may use accrued educator leave during the school year for the following:

1. Maternity purposes;
2. Illness of the educator;
3. Illness, contagious disease, or death in the immediate family of the educator that requires his or her absence;
4. Any personal emergency; or
5. Any purpose.

With the appropriate advance notice and prior approval of the supervisor, an educator, administrator, or ISS employee may use up to 3 days of leave in a given school year for any purpose. Educator leave used for any purpose normally may not be used during orientation week or the first or last week of the school year. An exception may be made when an employee has been accepted for an educational program and must report prior to the end of the school year.

C. **Summer Recess Period.** Accrued educator leave may not be used during any summer recess period. An absence during a summer recess period is without pay.

D. **Non-work Days.** Except for unique tours of duty established by the host nation (e.g., Bahrain), Saturdays, Sundays, regularly scheduled holidays including U.S. holidays and host nation holidays and other administratively authorized non-work days are not normally days of leave. See 20 U.S.C. 904(b). Therefore, an educator, administrator, or ISS employee who is in a non-pay status immediately preceding and following a scheduled holiday is not charged Leave Without Pay (LWOP) for the scheduled holiday.

070303. **Advances of Leave**

Under unusual circumstances, up to 30 days of educator leave (above the amount already credited for the current school year) may be advanced to an educator, administrator, or ISS employee for use on any scheduled duty day within the school year. Such advance is subject to
subsequent earning of educator leave, or repayment upon separation for leave advanced but not earned. The immediate supervisor may approve requests for up to 10 days of advance educator leave. Requests in excess of 10 days of advance educator leave will be submitted to the Area Director or District Superintendent, as appropriate. Approved requests are submitted to the civilian payroll office by the Customer Service Representative upon receipt from the approval official.

070304. **Leave Without Pay (LWOP)**

The immediate supervisor of an educator or ISS employee may approve an LWOP request of up to 3 days. The Area Director or District Superintendent may approve LWOP requests in excess of 3 days but less than 30 days. The Area Director may approve LWOP requests of 30 days or more. The District Superintendent must approve LWOP requests in excess of 3 days, but less than 30 days for administrators. The Regional Director or their delegate must approve LWOP requests in excess of 30 days by administrators.

070305. **Conversion of Leave for Federal Employees Transferring to DoDEA**

A. **Sick Leave.** An employee of the federal government or the District of Columbia who is transferred without a break in service from a position under a different leave system to an educator, ISS employee or administrator position is credited with sick leave immediately prior to the effective date of their conversion, transfer, promotion, or reappointment to an educator, administrator, or ISS employee position. Sick leave so credited is included in the employee’s balance of educator leave.

B. **Annual Leave.** Annual leave is not credited to an educator, ISS employee, or administrator’s balance of educator leave when he or she transfers without a break in service from a position under a different leave system. The employee will receive a lump-sum payment for accrued annual leave from the previous employer. However, administrators who were converted from GS or General Merit positions to Salary Schedules K and L on October 11, 1987, were entitled to be credited for annual leave during the initial conversion.

070306. **Transfer and Recredit of Educator’s Leave**

A. **Reappointed to Another Educator, Administrator, or ISS Employee Position.** When an educator, administrator, or ISS employee is separated from their current position and reappointed in another educator, administrator, or ISS employee position without a break in service of more than 3 years, the employee’s educator leave is certified to the employing agency for credit as sick leave on the *SF 1150*, Record of Leave Data.

B. **Reappointed to Federal Position.** When an educator, administrator, or ISS employee separates from their position and is reappointed without a break in service to another federal position subject to another leave act, his or her leave account is certified to the employing agency for credit in accordance with Title 5, Code of Federal Regulations (CFR), 630.501.

C. **Temporary Employment During Recess.** If an educator, administrator, or ISS employee accepts temporary employment with the federal government in a non-educator
position during a recess period, their educator’s leave account will not be transferred to the leave account of the summer position. Any sick leave earned during the temporary summer employment will be credited and any unused sick leave balance will be transferred to the educator’s leave account when they return to duty in their regular educator or administrator position.

070307. Liquidation of Leave Upon Separation

A. Any annual leave earned under a different leave system and remaining to the credit of an educator, administrator, or ISS employee upon their separation will be liquidated by a lump-sum payment in accordance with 5 U.S.C. 5551 and 20 U.S.C. 904(f).

B. Educator leave may not be liquidated upon separation through lump-sum payment. Educator leave includes leave earned by an educator, administrator, or ISS employee. Also, educator leave that was included in their leave balance pursuant to subparagraph 070305.A.

070308. Sabbatical Leave

A. Authority. Year-long educator leave at half-pay (sabbatical leave) may be authorized for an educator, administrator, or ISS employee, and for educational purposes, when the course of study is determined to be appropriate by the Area Director. An SF 50 is not required. The approved request for training should reflect that the educator, administrator, or ISS employee will be in an LWOP status one-half of each day during the year-long period.

B. Benefits and Entitlements During Sabbatical Leave. Educators and administrators granted sabbatical leave at half-pay will continue to receive life insurance and health benefits coverage in the same manner as if they were in full-pay status. Retirement contributions will be deducted for only one-half year; however, the employee is entitled to credit for a full year toward retirement. Educator leave is not earned, nor should it be deducted (i.e., used) from the employee’s leave account during the training period. Any pay step increase that would have been authorized should be processed as if the educator or administrator had worked a full school year.

C. Pay Status Reporting During Sabbatical Leave. The educator or administrator’s work schedule should not change during sabbatical leave. The time and attendance report for each pay period should reflect that the employee is in an LWOP status one-half of each day.
0704 PAY STATUS DURING SCHOOL YEAR AND SUMMER RECESS

070401. School year

An educator’s school year consists of 190 duty days. In most overseas locations, these duty days fall on days during the normal workweek (i.e., Monday through Friday). An educator, however, does not work every Monday through Friday during the school year because of non-duty days during recess periods (i.e., Thanksgiving, winter and spring recess; federal holidays; and certain host nation holidays). As a result, the school year (i.e., from the educator’s first through last duty day) may include 22 pay periods with approximately 213 days, Monday through Friday, between the educator’s first and last duty day of the school year. There are typically 21 full pay periods, plus 3 additional days in the 22nd pay period in a given school year.

*070402. Summer Recess

During the summer recess period, while school is not in session, educators ordinarily are in a non-pay status. An SF 50 is not required to place educators in a non-pay status or to return them to duty status at the beginning of the following school year. Educators who are returning to duty for the following full school year are entitled to have LQA payments continued during the summer recess period while they are in a non-pay status. See the Department of State Standardized Regulation (DSSR), Chapter 100, Quarter Allowances, and Chapter 700, DoD Teachers. The servicing human resources office will notify the servicing civilian payroll office of any change (e.g., transfer, resignation, or retirement) in the status of educators.

0705 COMPENSATION

*070501. Educators with a 190-Day School Year

A. Daily/Biweekly Rate. Educators earn pay at a rate that differs from the typical rate used to pay employee salaries. If the usual pay calculations were used, the educator’s seasonal work schedule, in conjunction with recess periods, would cause pay to fluctuate during each pay period of the school year. Therefore, in order to provide consistency, the biweekly pay for educators is calculated using the following information and formulas:

1. Duty Days and “Daily Rate” or “190 Rate” for Educators. The number of duty days in the school year is 190. The educator’s daily rate, or “190-Rate,” is the school year salary divided by 190.

2. School Year Days and “School Year Rate” or “213-Rate” for Educators. For most school years, the school year days will total 213 or 214 days, depending on the calendar year. School year days equal the total number of days (Monday through Friday) falling within an educator’s first through last duty day during the school year. School year days include 190 duty days, as well as all other non-work recess days that occur on Monday through Friday during the regular school year. Non-work recess days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when educators are not normally scheduled to work. The number of school year days is used to determine an educator’s school year rate, or
“213-Rate.” The school year rate is the daily rate used to provide a uniform payment for each biweekly pay period. The school year rate is multiplied by 10 days in order to determine the educator’s biweekly basic pay amount. Educators who elect biweekly payments over 260, 261, or 262 days (depending on how many workdays are in the fiscal year (FY) will have the school year rate determined by dividing the school year salary by 260, 261, or 262 days.

3. **Formula for Educator’s Biweekly Pay.** An educator’s salary is normally paid out over 21 full and one partial pay periods. The following formula may be used to calculate the biweekly pay:

   a. School Year Salary divided by 213, 214, 260, 261, or 262 = School Year Rate

   b. School Year Rate multiplied by 10 days = Biweekly Pay

B. **Educator Post Allowance.** See paragraph 070506 regarding post allowances. In computing the post allowance for educators paid on a 190-day school year basis, divide the total annual amount of post allowance payable by the number of calendar days in the school year (i.e. school year days plus weekend days) to obtain the daily rate. Multiply the daily rate by the number of calendar days in the pay period (normally 14).

C. **Reducing Pay for Absences Without Pay.** For educators on non-paid absence (e.g., LWOP or absence without leave (AWOL)), the biweekly pay is reduced by 1/190th of the school year salary for each scheduled duty day that the educator is in a non-paid status. Since the educators are not paid for federal holidays or recess periods, the biweekly pay is not reduced when the educator is in a non-paid status before or after a federal holiday or recess day.

D. **Biweekly Pay for Educators Beginning Work after Start of School Year.** When the educator is appointed after the school year has started, the school year salary must be adjusted according to the number of duty days remaining in the school year. Multiply the daily rate (“190-Rate”) by the number of duty days remaining in the school year in order to obtain the “adjusted school year salary.” To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days, and then multiply by 10 days. The following formulas may be used to calculate the biweekly pay for educators who begin work after the start of the school year:

   1. “190-Rate” multiplied by Duty Days Remaining = Adjusted School Year Salary

   2. Adjusted School Year Salary divided by School Year Days Remaining = Adjusted School Year Daily Rate

   3. Adjusted School Year Daily Rate multiplied by 10 days = Biweekly Pay

Example: An educator reports for work after the beginning of the school year and receives a salary of $38,000 for working a full school year (i.e., 190 duty days). The educator would have a “190-
Rate” (daily rate) of $200.00 ($38,000/190). This salary normally would be paid out over 213 school year days. However, the educator in this example begins work on October 1. Due to the late start, 23 duty days (August through September) will not be worked. The school year calendar indicates that 167 (190 - 23) duty days remain in the school year. Thus, the “adjusted school year salary” would be $33,400 ($200.00 x 167). To determine how the adjusted school year salary of $33,400 will be paid biweekly, the remaining school year days must be identified. In this example, 188 school year days remain (167 duty days + nonwork recess days). The adjusted school year daily rate is computed as follows: $33,400/188 = $177.66. The biweekly pay equals the adjusted school year daily rate multiplied by 10: $177.66 x 10 = $1,776.60.

E. Educators Who Separate Before the End of the School Year. When an educator separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted according to the number of duty days already worked. The adjusted school year salary is determined by multiplying the daily rate (“190-Rate”) by the number of duty days worked (including any days in a paid leave status). The following formula may be used to calculate the adjusted school year salary for educators who separate before the end of the school year:

(School Year Salary divided by 190) multiplied by the number of duty days worked = Adjusted School Year Salary for Separated Educators

Example: An educator separates before the end of the school year. The educator has been receiving a school year salary of $38,000 at the “190-Rate” (daily rate) of $200.00 ($38,000/190). This salary normally would be paid out over 21 full and one partial pay periods. Should the educator resign after working only 120 of the scheduled 190 duty days in the school year, the adjusted school year salary would be $24,000 ($200.00 x 120). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled.

*070502. Administrators with a 222-Day School Year (Non-Instructional Systems Specialists (ISS))

A. Daily/Biweekly Rate. Administrators earn pay at a rate that differs from the typical rate used to pay employee salaries. If the usual pay calculations were used, the administrator’s seasonal work schedule, in conjunction with recess periods, would cause pay to fluctuate during each pay period of the school year. Therefore, to provide consistency, the biweekly pay for administrators is calculated using the following information and formulas:

1. Duty Days and “Daily Rate” or “222 Rate” for Administrators. The number of duty days in the school year for administrators is 222. The administrator’s daily rate, or “222-Rate,” is the school year salary divided by 222.

2. School Year-Days and “School Year Rate” or “260 Rate” for Administrators. The school year days for administrators will total between 260 and 262 days, depending on the calendar year. The days during the school year include those days that fall within, as well as outside of, the school year for educators. School year days for administrators include 222 duty days, as well as all other non-work recess days that occur on Monday through Friday during the regular school year. Non-work recess days include federal holidays (e.g., Labor
Day) and school recess days (e.g., spring recess) when administrators are not normally scheduled
to work. The number of school year days is used to determine an administrator’s school year rate,
or “260-Rate.” The school year rate is the daily rate used to provide a uniform payment for each
biweekly pay period. The school year rate is multiplied by 10 days to determine the administrator’s
biweekly basic pay amount.

3. **Formula for Administrator’s Biweekly Pay.** An administrator’s salary is normally paid out in even payments over 26 pay periods. The following formula may be used to calculate the biweekly pay:

   a. School Year Salary divided by 260, 261, or 262 = School Year Rate

   b. School Year Rate multiplied by 10 days = Biweekly Pay

B. **Administrator Post Allowance.** In addition to basic pay, administrators are entitled to a post allowance for employees assigned to foreign areas where the cost of goods and services is substantially higher. See 20 U.S.C. 906. To compute the foreign post allowance for an administrator, divide the total annual amount of post allowance payable by 365 calendar days, or 366 during a leap year. See paragraph 070506 for additional information regarding post allowance.

C. **Reducing Pay for Absences Without Pay.** For administrators on non-paid absence (e.g., LWOP or AWOL) the biweekly pay is reduced by 1/222th of the school year salary for each scheduled duty day that the administrator is in a non-paid status. Since administrators are not paid for federal holidays or recess periods, the biweekly pay is not reduced when the administrator is in a non-paid status before or after a federal holiday or recess day.

D. **Biweekly Pay for Administrators Beginning Work after Start of School Year.** When an administrator is appointed after August 1st and will not work 222 duty days by July 31st, the school year salary must be adjusted according to the number of actual duty days remaining in the school year. Multiply the daily rate (“222-Rate”) by the number of duty days remaining in the school year in order to obtain the “adjusted school year salary.” To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days and then multiply by 10 days. The following formulas may be used to calculate the biweekly pay for administrators who begin work after the start of the school year:

   1. “222-Rate” multiplied by Duty Days Remaining = Adjusted School Year Salary,

   2. Adjusted School Year Salary divided by School Year Days Remaining = Adjusted School Year Daily Rate,

   3. Adjusted School Year Daily Rate multiplied by 10 = Biweekly Pay

Example: An administrator reports for work after the beginning of the school year and receives a salary of $55,500 for working a full school year (i.e., 222 duty days). The administrator has a “222-Rate” (daily rate) of $250.00 ($55,500/222). This salary would be paid out in even payments
over 26 pay periods. However, the administrator in this example begins work on September 15. Due to the late start, 33 duty days are not worked. The administrator will work only 189 of the duty days remaining by July 31st. Thus, the adjusted school year salary is $47,250 ($250.00 x 189). To determine how the adjusted school year salary of $47,250 will be paid biweekly, the remaining school year days must be identified. In this example, 228 school year days remain (189 duty days + non-work recess days). The adjusted school year daily rate is computed as follows: $47,250/228 = $207.24. The biweekly pay equals the adjusted school year daily rate multiplied by 10: $207.24 x 10 = $2,072.40.

E. Administrators Separating Before End of School Year. When an administrator separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted according to the number of duty days already worked. The adjusted school year salary is determined by multiplying the daily rate (“222-Rate”) by the number of duty days worked (including any days in a paid leave status). The following formula may be used to calculate the adjusted school year salary for administrators who separate before the end of the school year:

\[
\text{School Year Salary divided by 222 multiplied by the number of duty days worked} = \text{Adjusted School Year Salary for Separated Administrators}
\]

Example: An administrator separates before the end of the school year. The administrator has been receiving a school year salary of $55,500 at the “222-Rate” (daily rate) of $250.00 ($55,500/222). This salary normally would be paid out over 26 pay periods. Should the administrator resign after working only 120 of the scheduled 222 duty days in the school year, the adjusted school year salary would be $30,000 ($250.00 x 120). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled.

*070503. ISS Employees with a 222-Day School Year

A. Daily/Biweekly Rate. ISS employees build their own calendar to schedule 222 duty days out of the 260 to 262 school year. The remaining 38 (or 39) days in the school year are considered non-work days for the purposes of this regulation. The schedule is established by the ISS employee and approved by the supervisor. If the ISS employee schedules work on a federal holiday, then the employee will not receive holiday pay and will still have the same number of non-work days (38 or 39) in the school year. However, if the employee schedules work on a holiday or a Sunday when normal school operations are in session, the employee is entitled to the appropriate premium pay. For example, if school is in session on Sundays due to local custom and the ISS employee’s approved schedule allows for Sunday as a work day, the employee is entitled to Sunday premium pay. However, if Sunday is not normally a work day for school staff and the ISS employee schedules Sunday as a work day, the employee is not entitled to Sunday premium pay. To provide consistency, the biweekly pay is calculated as follows:

1. Duty Days and “Daily Rate” or “222 Rate” for ISS Employees. The number of duty days in the school year to ISS employees is 222. The ISS employee’s daily rate, or “222-Rate,” is the school year salary divided by 222.
2. **School Year Days and “School Year Rate” or “260 Rate” for ISS Employees.** The school year days for ISS employees will total between 260 and 262 days, depending on the calendar year. Thus, the days during the school year include those days that fall within, as well as outside of, the school year for educators. The school year days for ISS employees include 222 duty days, as well as all non-work recess days that occur on Monday through Friday during the regular school year. Non-work recess days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when ISS employees are not normally scheduled to work. However, due to the flexibility in their schedule, ISS employees may elect to work on any federal holiday (but will not receive holiday pay) and may schedule their non-work days on days that other educators generally work. The number of school year days is used to determine an ISS employee’s school year rate, or “260-Rate.” The school year rate is the daily rate used to provide a uniform payment for each biweekly pay period. The school year rate is multiplied by 10 days in order to determine the ISS employee’s biweekly basic pay amount.

3. **Formula for ISS Employee’s Biweekly Pay.** An ISS employee’s salary is normally paid out in even payments over 26 pay periods. The following formula may be used to calculate the biweekly pay:

   a. School Year Salary divided by 260, 261, or 262 = School Year Rate
   
   b. School Year Rate multiplied by 10 days = Biweekly Pay.

**B. ISS Employee Post Allowance.** In addition to basic pay, ISS employees are entitled to a post allowance under 20 U.S.C. 906. To compute the foreign post allowance for an ISS employee, divide the total annual amount of post allowance payable by 365 calendar days, or 366 during leap year.

**C. Reducing Pay for Absences Without Pay.** For ISS employees on non-paid absence (e.g., LWOP or AWOL) the biweekly pay is reduced by 1/222th of the school year salary for each scheduled duty day that the ISS employee is in a non-paid status. Since ISS employees are not paid for scheduled non-work days, the biweekly pay is not reduced when the ISS employee is in a non-paid status before or after a scheduled non-work day.

**D. Biweekly Pay for ISS Employees Beginning Work After Start of School Year.** When an ISS employee is appointed after August 1st and will not work 222 duty days by July 31st, the school year salary must be adjusted according to the number of actual duty days remaining in the school year. Multiply the daily rate (“222-Rate”) by the number of duty days remaining in the school year in order to obtain the “adjusted school year salary.” To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days and then multiplying by 10 days. The following formulas are used to calculate the biweekly pay for ISS employees who begin work after the start of the school year:

1. “222-Rate” multiplied by Duty Days Remaining = Adjusted School year Salary,
2. Adjusted School Year Salary divided by School Year Days Remaining = Adjusted School Year Daily Rate,

3. Adjusted School Year Daily Rate multiplied by 10 = Biweekly Pay.

Example: An ISS employee reports for work after the beginning of the school year and receives a salary of $55,500 for working a full school year (i.e., 222 duty days). The ISS employee has a “222-Rate” (daily rate) of $250.00 ($55,500/222). This salary normally pays out in even payments over 26 pay periods. However, the ISS employee in this example begins work on September 15. Because of their late start, it may be difficult to schedule all 222 duty days by July 31 (in this example, the employee can only schedule 189 duty days for the rest of the school year). The adjusted school year salary equals the daily rate multiplied by the total number of scheduled duty days remaining. Thus, the adjusted school year salary is $47,250 ($250.00 x 189). To determine how the adjusted school year salary of $47,250 is paid biweekly, the remaining school year days must be identified. In this example, 228 school year days remain. The adjusted school year daily rate is computed as follows: $47,250/228 = $207.24. The biweekly pay equals the adjusted school year daily rate multiplied by 10: $207.24 x 10 = $2,072.40.

E. ISS Employee Separating Before End of School Year. When an ISS employee separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted according to the number of actual duty days already worked. The adjusted school year salary is determined by multiplying the daily rate (“222-Rate”) by the number of duty days worked including any days in a paid leave status. The following formula is used to calculate the adjusted school year salary for ISS employees who separate before the end of the school year:

\[
\text{Adjusted School Year Salary for Separated ISS Employees} = \left( \frac{\text{School Year Salary}}{222} \right) \times \text{Number of Duty Days Worked}
\]

Example: An ISS employee separates before the end of the school year. The ISS employee has been receiving a school year salary of $55,500 at the “222-Rate” (daily rate) of $250.00 ($55,500/222). This salary would normally be paid out over 26 pay periods. Should the employee resign after working only 120 of the scheduled 222 duty days in the school year, the adjusted school year salary would be $30,000 ($250.00 x 120). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled.

F. ISS Step Increases. While ISS employees work a 222 day school year, step increases are treated like regular school year appointments for classroom educators. ISS employees have 18 steps, of which the first 14 are similar to step increases for GS employees and provided the employee works at least 175 days. Steps 15 through 18 are longevity steps. See paragraph 070206 for other rules on step increases that apply to ISS employees.

070504. Premium Pay, Sunday Work, and Holiday Work

A. Overtime and Compensatory Time. Educators and administrators are ineligible for overtime pay or compensatory time off.
B. Work Performed on Sunday. Educators appointed to a 190-day position whose regular tour of duty requires them to work on a Sunday are entitled to basic pay, plus a premium of 25 percent of the daily rate (“190-Rate”). Administrators on a 222-day position whose regular tour of duty requires them to work on a Sunday (providing that is part of the 190 duty day school year or within summer school session) are entitled to basic pay, plus premium pay at a rate equal to 25 percent of the regular daily rate (“222-Rate”). If an ISS educator works on a Sunday when normal school operations are in session, the employee is entitled to the appropriate premium pay. See subparagraph 070503.A. for ISS employees.

C. Work Performed on a Federal Holiday. Educators appointed to a 190-day position whose regular tour of duty requires them to work on any of the federal holidays is entitled to basic pay, plus premium pay at a rate equal to the daily rate. Administrators on a 222-day position whose regular tour of duty requires them to work on any of the federal holidays (providing that is part of the 190 duty day school year or within summer school session) are entitled to basic pay, plus premium pay at a rate equal to the daily rate. If an ISS employee schedules work on a federal holiday, then the employee typically will not receive holiday pay. However, if the ISS employee schedules work on a federal holiday when normal school operations are in session, the ISS employee is entitled to the appropriate premium pay. See subparagraph 070503.A. for ISS employees. Federal holidays for the purpose of this paragraph include:

1. New Year’s Day, January 1,
2. Dr. Martin Luther King Day, third Monday in January,
3. President’s Day, third Monday in February,
4. Memorial Day, last Monday in May,
5. Independence Day, July 4,
6. Labor Day, first Monday in September,
7. Columbus Day, second Monday in October,
8. Veteran’s Day, November 11,
9. Thanksgiving Day, fourth Thursday in November,

070505. Employment During the Summer Recess Period

A. Educators. Educators are placed in a non-pay/non-duty status during the summer recess period; however educators may receive pay for certain duties performed during the summer recess period. An educator who participates in a non-summer school related activity (e.g., agency sponsored and approved training, early return, and late departure) during the summer recess
period receives compensation at a daily rate of 1/190th of the prior school year salary. An educator who participates in a summer school related activity (e.g., teaching) typically receives two-thirds of the daily rate of their prior school year salary. However, exceptions are possible, and the educator may receive a different salary amount as stated on the employee’s notification for teaching summer school. The minimum increment earned and paid for most summer recess period activities is one-half day. Educators who work an academic enrichment K-8 program during the summer recess period are paid a stipend as authorized by a MOU. An educator receives payment for participation in summer recess activities via the submission of a memorandum by DoDEA to the civilian payroll office, similar to the one used to authorize payment for extra-duty assignments. This period of employment is exempt from dual pay provisions, as provided by 5 U.S.C. 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions.

B. Administrators and ISS Employees. An administrator or ISS employee who participates in a non-summer school related activity (e.g., agency sponsored and approved training) during the summer recess period that is in excess of the 222-day work year, receives compensation at a daily rate of 1/222nd of the prior school year salary. An administrator or ISS employee who participates in a summer school related activity receives two-thirds of the daily rate of the prior school year salary. The minimum increment earned and paid for all summer recess period activities is one-half day. An administrator or ISS employee receives payment for participation in summer recess activities via the submission of a memorandum by DoDEA to the civilian payroll office, similar to the one used to authorize payment for extra-duty assignments. This period of employment is exempt from dual pay provisions, as provided by 5 U.S.C. 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions.

070506. Post Allowance and Foreign Post Differential

Payment of allowances and/or differentials is determined in accordance with the DSSR, and Department of Defense Instruction 1400.25, DoD Civilian Personnel Management System, Volume 1250, Overseas Allowances and Differentials.

A. Post Allowance. In addition to basic pay, under 20 U.S.C. 906 full-time educators, administrators, and ISS employees are eligible to receive a post allowance for employees assigned to a foreign area where the cost of goods and services is substantially higher. The amount paid is a flat rate based on the employee’s basic salary, family size and post assignment. The amount of the annual foreign post allowance is located on the SF 1190, Foreign Allowances Application, Grant and Report. If an employee’s annual salary is adjusted, the post allowance may also be adjusted and if so, the daily rate should be recomputed. Daily rates are computed as follows:

1. Educator Post Allowance Daily Rate. To compute the post allowance for educators paid on a 190-day school year basis, divide the total annual amount of post allowance payable (as shown on the SF 1190) by the number of calendar days in the school year (i.e. school year days plus weekend days) to obtain the daily rate. Multiply the daily rate by the number of calendar days in the pay period (normally 14).
2. **Administrator Post Allowance Daily Rate.** To compute the foreign post allowance for an administrator, divide the total annual amount of post allowance payable (as shown on the SF 1190) by 365 calendar days, or 366 during leap year.

3. **ISS Employee Post Allowance Daily Rate.** To compute the foreign post allowance for an ISS employee, divide the total annual amount of post allowance payable (as shown on the SF 1190) by 365 calendar days, or 366 during leap year.

**B. Foreign Post (Hardship) Differential.** An educator, administrator, or ISS employee may be paid a foreign post (hardship) differential under DSSR, Chapter 500. The foreign post differential is additional compensation paid to an eligible employee in a foreign area where conditions of the environment differ substantially from conditions in the U.S. and additional compensation is available as a recruitment and retention incentive. The foreign post differential is compensated based on 5 to 35 percent over basic compensation. The Department of State periodically reviews and updates rates based on changes in living conditions at various foreign posts. Rates are subject to change at any time. Additionally, any adjustment in an employee’s annual salary may cause the foreign post differential to be adjusted. For example, assume that the current foreign post differential authorized for an educator in Ankara, Turkey is 10 percent of the educator’s basic compensation. If their basic compensation during the current school year is $45,000, but is adjusted upward to $50,000, then the adjusted foreign post differential amount authorized for payment to the educator would be $5,000. The authorized foreign post differential percentage would not change and would remain consistent with the dollar amount paid to the educator during that school year.

**070507. Extra-Duty Program for Educators**

This program applies to certain DoDDS employees who are employed under the pay plan who are assigned extra-duty assignments, such as coaching, activity sponsorship, or dormitory work, in addition to regular school duties. See *DS Regulation 5550.9*, Compensation for Extra-Duty Assignments. Extra-duty compensation is paid when extra-duty assignments are conducted and completed outside the educator’s duty day. When an educator is selected to perform an extra-duty assignment, the educator and school principal will sign an MOU. The MOU will identify the extra-duty assignment, and will include a description of duties, the hourly range (i.e., the number of hours predicted to complete the extra-duty assignment), the amount of compensation, and a statement that the duties will not be performed during duty hours when school is in session. Administrators are not eligible for extra-duty assignments and any extra-duty activities performed by an administrator will be considered voluntary. Compensatory time and holiday pay are not authorized forms of extra-duty compensation.

**A. Compensation for Extra-Duty Assignments**

1. **Requirements for Pay.** The rate of compensation for completing an extra-duty assignment is published by the DoD WSD as part of the yearly DoDDS salary schedules (Schedule for Other Compensation). The minimum number of hours established for a particular activity must be performed, and the activity must be completed before payment is made. The administrator must certify that the extra-duty assignment has been completed satisfactorily and
that compensation is authorized. The administrator will forward a memorandum to the civilian payroll office as soon as possible, but not later than May 31st, to facilitate payment by the end of the school year.

2. **Hourly Range of Assigned Duties.** The Director of DoDEA determines an appropriate hourly range for the completion of each type of authorized extra-duty activity. The following hourly ranges have been established by the DoD WSD for extra-duty compensation:

   a. 1 - 19 hours,
   b. 20 - 39 hours,
   c. 40 - 79 hours,
   d. 80 - 119 hours,
   e. 120 - 159 hours,
   f. 160 – 199 hours,
   g. 200 hours and over.

3. **Reducing Compensation for Fewer Hours Worked.** If the administrator determines the extra-duty assignment has been completed satisfactorily in less time than identified in the approved MOU, compensation must be reduced and the educator should be compensated at the rate established for the appropriate lower hourly range. When the hours worked fall short of the original range, or an educator is unable to complete the extra-duty assignment for a reason acceptable to the administrator, a lesser payment than the amount indicated in the approved MOU is paid on a pro rata basis. The formula for computing a lesser payment is the mid-point hour of the appropriate hourly range divided into the hours actually worked, the result then multiplied by the dollar value assigned to the regular hourly category. For the 200 and over range, the mid-point is 220.

   Example: An educator works 10 hours towards a 20-39 hourly range extra-duty assignment ($720 for school year 2004-2005). When the mid-point (30 hours) is divided into the hours worked (10 hours), and the results rounded to 2 decimal places (.33) and is multiplied by the dollar value of the hourly range for the duty (.33 x $720), the payment due will be $237.60.

4. **Substitutes.** Substitute teachers are compensated using the rate of compensation for completing an extra-duty assignment as published by the DoD WSD.

B. **Extra-Duty as Dormitory Counselor.** An educator, assigned to a dormitory counselor, or supervisory dormitory counselor position, may receive additional compensation identified as “Condition of Employment Compensation” and “Additional Hours Compensation.” See DS Regulation 5550.9 at App. H.
1. **Condition of Employment Compensation.** This is compensation for all sleep-in time and all night, holiday, and Sunday work. The remarks section of the SF 50 is annotated to indicate the employee is entitled to receive Condition of Employment Compensation. Condition of Employment Compensation is pro-rated over the school year and is paid on a bi-weekly basis while the dormitory counselor is in a pay status during the school year. The amount of Condition of Employment Compensation is published annually by the DoD WSD and is based on the employee’s work schedule. The rates of Condition of Employment Compensation is paid at either the 5-day, 40 hour rate, or the 7-day, 40 hour rate, and is based upon whether the dormitory counselor works a 5- or 7-day tour of duty. For example, during school year 2004-2005, the Condition of Employment Compensation was $1,625 in a 5-day dormitory and $3,285 in a 7-day dormitory.

2. **Additional Hours Compensation**

   a. This is compensation paid to a dormitory counselor for scheduled or unscheduled additional work in excess of regularly scheduled work during the pay period in a 5- or 7-day dormitory. Additional Hours Compensation is available for such activities as: coordination with teachers, counselors, parents, and medical and military officials of the base; arranging for dormitory activities; and interruption of sleep-in time to perform substantive duties. Additional Hours Compensation may be paid for each full hour worked (scheduled or unscheduled) and is paid on a bi-weekly basis upon completion and certification of the time worked. Compensation for Additional Hours is certified on the time and attendance report by the immediate supervisor. The number of additional hours paid during the school year will not exceed 190 hours regardless of the number of hours worked and may not exceed the annual rate established by the DoD WSD for Additional Hours Compensation.

   b. To calculate the maximum amount payable in a 5-day dormitory, subtract the 5-day, 40 hour rate, published on the DoD WSD schedule from the 5-day, 45 hour rate. The difference is the maximum amount authorized for Additional Hours compensation in a 5-day dormitory during the school year. For the 7-day dormitory, subtract the 7-day, 40 hour rate, from the 7-day, 45 hour rate, to calculate the maximum amount payable for Additional Hours.

   Example: Using a school year 2004-2005 schedule for a 5-day, 40 hour dormitory, subtract $1,625 (5-day, 40 hour rate) from $8,475 (5-day, 45 hour rate). The result is $6,850 which is the maximum school year amount payable for Additional Hours during school year 2004-2005. The hourly rate to be paid for Additional Hours in this example is $36.05 for a 5-day, 40 hour dormitory ($6,850/190 (maximum number of Additional Hours to be worked during the school year) = $36.05).

3. **Substitutes.** Substitute teachers are authorized to substitute for dormitory counselors, and are compensated in accordance with the Schedule A salary schedule published by the DoD WSD.
070508. Accelerated Deductions of Premiums and Allotments for Educators

A. FEGLI and Federal Employees Health Benefits (FEHB) Accelerated Premium Deductions. Deductions for FEGLI and FEHB premiums from an educator working a 190-day work schedule are accelerated to allow for the total annual premiums to be paid in 22 pay periods, rather than 26 pay periods. Accelerated premium deductions over the course of 22 pay periods allow the employee to maintain coverage and pay no additional premiums during the summer recess when the educator is in non-pay status. The coverage period typically runs from the first duty day of the school year until the day prior to the first duty day of the next school year. Accelerated premium deductions are not required for an administrator or ISS employee assigned to a 222-day work schedule.

B. Calculation of Accelerated Premium Deduction for FEGLI and FEHB.

1. FEGLI. To determine the amount of the accelerated biweekly premium deduction for FEGLI, first determine the normal (i.e., 26 pay period) biweekly premium rate deducted for other federal employees in the same salary bracket. Convert the biweekly rate to an annual rate by multiplying the biweekly rate by 26 (to arrive at the amount to be paid for the entire calendar year). Second, divide the annual rate by 22 (the number of pay periods over which the educator is normally paid) in order to determine the accelerated premium deduction for each pay period for the educator. The calculation applies to both basic and optional insurance. For optional insurance, use the age band rate to convert the biweekly rate to an annual rate. The following formula may be used to calculate the accelerated premium deduction amount:

   a. Biweekly Premium Rate \times 26 \text{ Pay Periods} = \text{Annual Premium Rate},

   b. \text{Annual Premium Rate} \div 22 = \text{Accelerated Premium Deduction}.

2. FEHB. To determine the accelerated biweekly premium amount deducted from an educator’s pay for FEHB, first determine the normal (i.e., 26 pay periods) biweekly premium rate deducted for other federal employees. Convert the biweekly rate to an annual rate by multiplying the biweekly rate by 26 (to arrive at the amount to be paid for the entire calendar year). Second, divide the annual rate by 22 (the number of pay periods over which the educator is normally paid) in order to determine the accelerated premium deduction for each pay period for the educator.

3. Accelerated Deductions Beginning After the Start of the School Year. If the educator begins work after the first scheduled duty day of the school year, the total annual premium rate for FEGLI and FEHB must be reduced by a proportionate amount for the coverage period remaining (i.e. through the day prior to the first scheduled duty day of the next school year). Divide the reduced annual premium rate by the number of pay periods remaining to determine the accelerated premium deduction amount. The following formula may be used to calculate the accelerated premium deduction amount:
Reduced Annual Premium Rate divided by Number of Pay Periods Remaining = Accelerated Premium Deduction

C. Coverage Upon Separation or Movement under FEGLI and FEHB. If an educator resigns at the close of the school year and he or she has elected coverage under FEGLI and/or FEHB, the actual date of separation will be delayed. The delayed separation date provides the employee with FEGLI and/or FEHB benefits throughout the period of time covered by the accelerated premium deductions. Thus, the period of coverage for an educator employed for a full school year typically continues until the day prior to the first duty day of the next school year. If the educator separates earlier than the end of the school year, their resignation will specify an earlier date for termination of coverage and require the employee to acknowledge that FEGLI and/or FEHB coverage will continue for only 31 days after the date of separation. An educator who separates before the end of the school year will be reimbursed proportionately if the separation date is earlier than the end of the extended period of prepaid FEHB coverage. If an educator is converted or appointed to a 222-day or calendar year work schedule, accelerated premium deductions may need to be refunded, if the effective date of the conversion or appointment occurs during the prepaid coverage period and withholding for the employee’s new position would result in duplicate premium payments.

D. Deductions for Federal Flexible Spending Account (FSAFEDS) and Long Term Care (LTC). Educators, who enroll in the FSAFEDS Program and are paid over 21 pay periods, can elect to accelerate these allotments. The Federal LTC Program does not offer accelerated payments to educators who are paid over 21 pay periods. A “Bill for Uncollected Payroll Premium” will be mailed for any periods of non-pay status to the educator.

070509. Other Deductions

A. Allotments of Pay

1. Labor Organization Dues

a. Allotments of pay for labor organization dues are effective the second pay period in October of each school year for an educator who is a bargaining unit member. The amount of the allotment will be the dues amount identified by the employee on the SF 1187, Request for Payroll Deductions for Labor Organization Dues, or the amount identified on a list issued by each local or regional bargaining unit, divided by 12 full pay periods unless otherwise agreed to by the parties.

b. Educators who enter the dues withholding agreement at a time when less than 12 full pay periods remain in the school year will have their dues allotments prorated over the remaining full pay periods within the dues withholding period.

c. An SF 1187 authorization for dues withholding remains in effect when a “Not-to-Exceed” (NTE) employee is converted to an excepted service position in the bargaining unit prior to the expiration of the NTE appointment.
d. After each pay period, the civilian payroll office will prepare and forward the remittance to the designated labor organization. Remittance will be sent to the appropriate address in each area electronically. Each remittance will be accompanied by a report in the form of a listing of names and amounts withheld.

e. An educator’s authorization for dues withholding is carried forward automatically to the next school year unless notification to stop the deduction is received from the employee. No later than September 1, educators may request that deductions for labor organization dues be cancelled by submitting a SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues, to Defense Finance and Accounting Service (DFAS). Employees are responsible for ensuring a properly completed SF 1188 is submitted in a timely fashion; an SF 1188 cancellation received after September 1st will not be honored for processing until the next school year.

f. No later than 2 weeks prior to the date withholding is to begin, the local or area units of the labor organization will forward a list of employees who have requested dues withholding. The list will identify the bargaining unit name or number, location, address, point(s) of contact and phone number(s). The list will also include the following employee information: name, Social Security Number, location assigned, and amount of dues to be withheld for that school year.

2. Savings Allotments and Allotment Allowed for 190-Day Educators Assigned in Overseas Areas. Savings and other allotments, as authorized in Chapter 11, may be deducted over the number of full pay periods in the school year.

B. TSP. An educator, administrator, or ISS employee may elect to have either a percentage or dollar deduction for TSP in accordance with guidelines set forth in section Chapter 11, Section 1110. TSP deductions will be taken from the annual retroactive salary adjustment given to employees each year only if the educator, ISS employee, or administrator has specified that a percentage be withheld.

070510. Educators Appointed as Junior Reserve Officer Training Corps (JROTC)

DoDDS employs retired military officers and noncommissioned officers as educators in its JROTC overseas program. The school year salary of JROTC instructors is set using the comprehensive Schedule for Educators and Specialist (Schedule C).

070511. Waiver of Erroneous Payments of Pay and Allowances

The procedures outlined in Chapter 8 are followed when processing applications for waiver of erroneous payments of pay and allowances submitted by DoDDS employees. However, applications of DoDDS employees received by the civilian payroll office are forwarded to the DoDEA Human Resources Regional Service Center for adjudication rather than the Defense Debt and Claims Management Office at DFAS.
0706  DOD DOMESTIC DEPENDENT ELEMENTARY AND SECONDARY SCHOOLS

*Title 10 U.S.C. 2164* authorizes the Secretary of Defense to provide for the elementary or secondary education of the dependents of members of the Armed Forces and, under certain conditions, for dependents of civilian employees residing on a military installation in the U.S., if a determination is made that appropriate educational programs are not available.
*VOLUME 8, CHAPTER 8: “UNDERPAYMENTS, COLLECTION OF NON-DEPARTMENT OF DEFENSE (DOD) DEBTS, BANKRUPTCY ACTION, GARNISHMENTS, AND TAX LEVIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated September 2012 is archived.

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<td>All</td>
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<td>Title</td>
<td>Changed title of Chapter from “Underpayments and Indebtedness” to “Underpayments, Collection of Non-Department of Defense (DoD) Debts, Bankruptcy Action, Garnishments, and Tax Levies.”</td>
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<td>Added “General” section, which includes “Purpose” and “Authoritative Guidance” paragraphs.</td>
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<td>080201</td>
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<td>080202</td>
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<td>080301.A</td>
<td>Added information about an employee’s debts transferring from a non-DoD agency to a DoD agency.</td>
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<td>080302.C.1.a</td>
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<td>080303.A</td>
<td>Added information regarding voluntary “State Tax Levies.”</td>
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<td>080402.E</td>
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<tr>
<td>080403</td>
<td>Added address and fax number for commercial debts and procedures the payroll office should take.</td>
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<td>Changed form to Internal Revenue Service (IRS) Form 941-X since it has replaced IRS Form 941c.</td>
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CHAPTER 8

*UNDERPAYMENTS, COLLECTION OF NON-DEPARTMENT OF DEFENSE (DOD) DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES

*0801 GENERAL

*080101. Purpose

This chapter establishes policy and procedures pertaining to underpayments, special payments, collection of non-DoD debts, processing garnishments, bankruptcy actions, tax levies, and processing and reporting pay corrections. For regulations governing the collection of debts owed to the DoD, see Volume 16.

*080102. Authoritative Guidance

Statutes, regulations, and other guidance are referenced under each section of this chapter.

0802 UNDERPAYMENTS

*080201. General

Salary underpayments to employees or former employees may be the result of the following:

A. Computation Errors. Underpayments may be the result of computation errors involving Federal withholding tax, retirement deductions, Social Security/Medicare tax, or the rate of pay. Every effort should be made to correct the underpayments by increasing or decreasing the pay factors affected on the first payroll prepared after the error is discovered.

B. Time and Attendance Errors. Underpayments may also be the result of time and attendance errors. All salary payments to employees must be paid in accordance with the time and attendance reported and certified by the employee's supervisor. Reported time and attendance, which is less than an employee's normal work schedule, is presumed to accurately reflect the employee’s hours of work and non-work. Any errors in time and attendance must be corrected and certified in order to adjust underpayments.

C. Claims. Employees or former employees who believe they have not been credited with the proper amount of pay may follow the claims procedures prescribed in Chapter 6, section 0604.

*080202. Special Payments

Special payments may be made to employees in order to correct salary underpayments. Special payments are made outside of the normal payroll processing schedule. The issuance of a
special payment is an off-line process and employees do not receive a regular Leave and Earnings Statement (LES) at the time of the special payment. The civilian payroll office (PRO) must provide the employee with information regarding the special payment. A subsequent LES is issued reflecting information pertaining to the gross amount of the special pay and all applicable deductions upon processing the special pay through the Defense Civilian Pay System (DCPS). PROs report special salary payments on the Department of Defense *(DD)* Form 592, Payroll for Personal Services Certification and Summary.

A. Guidelines for Special Payments

The PRO will process a special payment under the following circumstances when requested by the employing activity and determined appropriate by the PRO:

1. **90 Percent Guideline.** To correct a salary underpayment where an employee has received less than 90 percent of their regular biweekly pay and allowances. The PRO Directors may waive the 90 percent rule for making special payments when extenuating circumstances exist.

2. **Erroneous Payroll Omissions.** To pay employees who are erroneously omitted from the payroll;

3. **Employees on Leave Without Pay (LWOP).** To pay employees placed in a LWOP status for payroll processing, and LWOP has been approved for conversion to advanced annual, sick, and/or donated leave. The commanding officer/director, after reviewing each case for hardship, may request a special payment provided the employee meets the 90 percent guideline.

4. **Special Payments to Beneficiaries.** To pay a beneficiary entitled to receive a deceased employee’s unpaid compensation under Title 5, United States Code (U.S.C.), section 5582. See Chapter 10, section 1005.

B. Required Supporting Documentation for Special Payments.

Required documentation for a special payment request submitted to the PRO is as follows:

1. **Biweekly Payment of Less Than 90 Percent.** For an employee paid for less than 90 percent of his or her regular biweekly pay and allowances, a copy of the time and attendance report (or corrected time and attendance report) and a request by the commanding officer/director are required to support the special payment.

2. **Erroneous Payroll Omission.** If an employee is erroneously omitted from the payroll, a *Standard Form (SF) 50*, Notification of Personnel Action, should be used to verify the individual's employment. Before the special payment is processed, the PRO must obtain a copy of the employee's certified time and attendance report, a request by the commanding officer/director for special payment, and any necessary source documents to support deductions.
3. **Employee on LWOP.** For an employee placed in an LWOP status, the time and attendance certifier must provide the PRO a corrected time and attendance report along with the commanding officer's/director’s special payment request.

4. **Special Payments to Beneficiaries.** Beneficiaries of deceased employees may request a special payment by sending a letter to the PRO identifying the need for payment to defray expenses. The PRO must issue the special payment if sufficient documentation to support the claim is received from the employing activity human resources office.

**C. Disbursements of Special Payments**

Employees must receive special payment disbursements in the same manner as they receive their net pay, typically by an electronic funds transfer (EFT). If the employee has received a waiver of the EFT requirement for payroll disbursements, the PRO will send the employee a Treasury check via express mail to the employee’s address of record. Release of payment will normally be within 3 business days following the PRO’s receipt of any special payment request and any required supporting documentation.

**D. Computation of Special Payments**

The PRO must compute the special payments using the “gross-to-net” method. Gross-to-net payments represent the regular biweekly pay and allowances normally due the employee (plus unpaid premium pay for the corresponding pay period, if applicable), less any required deductions and withholdings which are withheld from the employee’s biweekly pay. The following procedures are applicable for gross-to-net special payment processing:

1. **Biweekly Payment of Less than 90 Percent.** The employee is entitled to the difference between what was paid and what should have been paid. The PRO will deduct additional amounts for applicable items listed in subparagraph 080202.F, unless previous payroll processing has satisfied the deductions. The employee is responsible for any existing voluntary allotments not deducted during the previous processing. All deductions and withholdings must resume the following pay cycle.

2. **No Pay Received.** The gross entitlements less any applicable deductions and withholdings are payable to the employee. The PRO must exclude deductions for voluntary allotments. The employee is responsible for any existing voluntary allotments. All deductions and withholdings must resume on the following pay cycle, including voluntary allotments.

3. **Final Pay as Special Payment.** An employee who receives their final pay as a special payment will receive pay for gross entitlements less all required deductions and withholdings of items listed in subparagraph 080202.E. The employee is responsible for voluntary allotments. The employee's final pay is subject to withholdings to liquidate any unsatisfied government indebtedness.
4. Special Payments to Beneficiaries. Unpaid compensation is computed pursuant to Chapter 10, section 100504.

E. Processing Special Payments Made After the Last Regular Pay Period of the Tax Year, But Prior to the End of the Calendar Year

1. Federal, State, and Local Taxes and Social Security/Medicare. For special payments made after the last regular pay period of the tax year, but prior to the end of the calendar year, the PRO must withhold any Federal, state, and local taxes, and Social Security/Medicare from the special payments. The PRO must forward the withholdings to the applicable offices as soon as possible. Note: When computing or making deductions for Social Security, the PRO will ensure the employee has not reached maximum withholdings for the year. In completing the supplemental DD 592 for any canceled checks or special payments, the PRO will include all deductions and contributions for Social Security/Medicare, Federal, state, and local taxes.

2. Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement. The PRO will process updates to ensure special payments or canceled checks are included in the history totals. After the final pay period of the tax year, if the PRO identifies incorrect reporting on the W-2, the PRO will issue an IRS Form W-2c, Corrected Wage and Tax Statement, in accordance with IRS Circular E, Employer’s Tax Guide, and IRS Form 941-X, Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund.

3. Thrift Savings Plan (TSP). Special payments for TSP participants are subject to TSP deductions provided the employee has not reached the maximum contribution level established by law. TSP deductions withheld from special payments after the last regular pay period in the tax year, but before the end of the calendar year, will be combined with the next pay cycle for reporting and submission to the Federal Retirement Thrift Investment Board.

F. Taxation of Retroactive Payments

1. Time and Attendance. The PRO must use the tax rate associated with the current IRS Form W-4, Employee’s Withholding Allowance Certificate, when processing all time and attendance retroactive transactions. The PRO must combine the retroactive wages with the wages from the last pay period (i.e. the pay period prior to the current pay period) to determine the basis for recomputing tax withholdings. The PRO must recompute the taxes and determine the retroactive tax withholdings by subtracting the taxes withheld during the last pay period from the recomputed taxes.

2. Retroactive Wage Increases. In most cases, retroactive wage increases are considered supplemental wages and taxed at a flat 25 percent tax rate. The flat 25 percent rate will apply to Federal tax withheld from regular wages during the last preceding payroll period for wages paid within the same calendar year. If those regular wages do not have taxes withheld, the PRO must then use the rate associated with the current W-4.
G. Special Payments Not Authorized.

The following special payments requests are not authorized:

1. **Partial Payment of Salary.** PRO will not honor a request for partial payment of salary before the regular payday.

2. **Special Payments of Premium Pay.** The PRO will not process a request for special payments for overtime or other premium pay earned but not reported and, therefore, not paid in the corresponding pay period. However, authorization for a special payment for other reasons will include the payment of any unpaid premium pay for the corresponding pay period.

0803 COLLECTION OF NON-DOD DEBTS

*080301. Salary Offset Requests From Non-DoD Federal Creditor Agencies

* A. **Request for Salary Offset.** A non-DoD Federal creditor agency is a non-DoD agency to which an employee owes a debt. When non-DoD Federal creditor agencies (except the IRS or U.S. Courts) identify DoD employees as having outstanding debts, those agencies must address their salary offset requests to the Secretary of Defense designee for such collection, which is the Defense Finance and Accounting Service-Cleveland (DFAS-CL):

DFAS-AHADC/CL
1240 East 9th Street
Cleveland, OH 44199

A request for offset must include certification that due process rights have been afforded to an indebted employee by the non-DoD creditor agency. **Debts established in DCPS for collection from non-DoD employees serviced by DFAS, who later transfer and become DoD employees, should be transferred systematically to the employing DoD agency for continued collection.**

* B. **Statute of Limitations.** There is no statute of limitations for collection of a debt by salary or administrative offset. **Debts more than 10 years delinquent as of December 31, 2009, that were previously ineligible for collection may now be collected by administrative offset.** Additional notice and due process requirements must be met. For further information, see Volume 16, Chapter 2.

*080302. Salary Offset Requests From the Travel Charge Card Contractor

A. **Authority.** **Public Law (P.L.) 105-264** authorizes Federal agencies to collect undisputed delinquent amounts incurred on an individually billed travel charge card issued to an employee from that individual’s disposable pay. **For further information, see Requiring Use of Travel Charge Card at 5 U.S.C. § 5701.** The amount deducted may not exceed 15 percent of an employee’s disposable pay for each pay period, unless the employee has provided written consent for a greater amount. **For further information, see the Federal Travel**
Regulation (FTR), *Part 301-54; FTR, Part 301-76*; and Title 41, Code of Federal Regulations (C.F.R.), *part 301-76.*

B. Request for Collection. After undisputed debts become 90 days delinquent, the travel charge card contractor must send a 90-day demand letter to the employee that includes all due process requirements for initiating salary offset. If the debt is not disputed or paid, or arrangements are not made for payment by installment agreement within the 30-day period following the final debt letter, then the travel charge card contractor may request initiation of the salary offset process through payroll deduction.

C. Responsibilities

1. Travel Charge Card Contractor

   a. Request for Offset. The travel charge card contractor must forward delinquent debts to the Salary Offset Project Office at:

      DFAS-AHADC/CL  
      1240 E. 9th Street  
      Cleveland, OH 44199-8002

   b. Record of Charges, Late Fees, and Costs. The undisputed 120-day old delinquent accounts referred for salary offset must contain the full balance of the account, regardless of whether some of the individual charges relate to an official travel document. In addition to the delinquent charges, the amount referred for salary offset must include any late fees assessed and costs of collection.

   c. Financial Institution Information. The file must include the travel charge card contractor’s financial institution and account routing information to facilitate electronic transmission of delinquent amounts collected.

   d. Private Collection Agency Referrals. Any delinquent debt the travel charge card contractor has already forwarded to a private collection agency for collection must not be included in the salary offset process. Likewise, a travel charge card contractor must not refer any delinquent debt already submitted to DFAS for collection by salary offset to a private collection agency.

2. Salary Offset Project Office

   a. Processing Requests. The Salary Offset Project Office (DFAS-AHADC/CL) must process the request for initiation of travel charge card delinquent debt salary offset in the same manner as is done for Federal salary offset requests from other Federal agencies.

   b. Debt Balance. The Salary Offset Project Office (DFAS-AHADC/CL) must manage the debt balance during the salary offset process. If for any reason
changes to the debt balance occur, the travel charge card contractor must immediately advise the Salary Offset Project Office of those changes.

c. Reports from the PRO. The PROs must provide reports listing the collection transactions to the Salary Offset Project Office for each collection file in order to monitor amounts collected and remaining debt balances due.

3. Due Process - Inquiries, Disputes, and Hearing Process. Any inquiries or disputes regarding the debt and the 90-day demand notice, which are received by the travel charge card contractor prior to forwarding the debt to DFAS for collection, will be handled and resolved by the travel charge card contractor. If the employee wants to negotiate an installment agreement prior to the referral of the debt for salary offset, the employee will make any such agreement with the travel charge card contractor. If the employee is not satisfied with the travel charge card contractor’s disposition of the dispute, he or she may submit a petition to the travel charge card contractor for a debt hearing.

*080303. Collection of State Debts

* A. State Tax Levies. The PRO must forward involuntary state tax levies to:

DFAS-Cleveland
Garnishment Operations
P.O. Box 998002
Cleveland, OH 44199-8002

Toll free fax (877) 622-5930
Commercial fax (216) 367-3675

The levies will be processed under the commercial garnishment section. The PRO can establish voluntary state tax levies as an allotment.

B. Other State Debts. Under 31 U.S.C. § 3716(h) and 31 C.F.R. 285.6, a state may enter into a reciprocal agreement with the Department of Treasury to collect unpaid state debt by offset of Federal non-tax payments. Under the same agreement, the Federal government may collect delinquent Federal non-tax debt by offset of state payments. DFAS does not offset non-tax state debts from Federal employee salaries.

*0804 RECOVERY OF COURT-ORDERED INDEBTEDNESS, INCLUDING JUDGEMENTS AND GARNISHMENTS

080401. Judgment Against an Employee

When a court of the U.S., in an action or suit brought against a Federal employee by the U.S., determines the employee is indebted to the U.S. and enters a judgment against the employee, section 124 of P.L. 97-276 (published as a note to 5 U.S.C. § 5514) allows collection of the debt by deduction from the employee's current pay account. The employee's consent is not required. Any
Federal agency requesting salary offset under this authority must send a letter requesting offset to the PRO with a copy of the judgment entered against the employee. The PRO may request the DFAS Office of General Counsel review the judgment if questions arise. After confirmation of the validity or interpretation of the judgment, the PRO will:

A. Compute the amount to be collected each pay period using the percentage specified in the offset request. The maximum amount deducted for a pay period may not exceed 25 percent of the employee's disposable pay, unless a greater percentage is necessary to recover the amount owed within the time of the anticipated employment. Deductions may be made from basic pay, special pay, incentive pay, or in the case of an individual not entitled to basic pay, other authorized pay.

B. Collect the total unpaid balance as specified in the offset request. This amount may include accumulated interest and administrative charges. The agency requesting offset should notify the PRO approximately 90 days before completion of the judgment offset with the final judgment amount, which includes the balance of accrued interest charges.

C. Forward a copy of the offset request to the employee with written notification advising the employee of the deduction amount and pay period the deduction will start.

D. Apply final pay (salary and lump sum leave) to any unliquidated debt balance if the employee retires, resigns, dies, or if employment otherwise ends.

E. Forward payment each pay period to the agency requesting salary offset.

*080402. Child Support and Alimony Garnishments

A. Authority. Title 42, U.S.C. § 659 provides consent by the U.S. to garnishment and similar proceedings for enforcement of child support and alimony obligations against employees. The PRO must deduct court-ordered garnishment under this section from the employee's pay in accordance with 5 C.F.R. part 581.

B. Pay Subject to Garnishment. All moneys due employees, the entitlement to which is based upon “remuneration for employment,” are subject to court-order garnishment. The term “remuneration for employment” means all compensation paid or payable for personal services performed by an individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, or otherwise, and includes, but is not limited to, those items set forth in 5 C.F.R. 581.103.

C. Pay Not Subject to Garnishment and Exclusions. Moneys paid as reimbursement (normally defined by law or regulations as allowances, awards paid for making suggestions, and injury compensation payments) are not deemed “remuneration for employment” and, therefore, are not subject to garnishment. Amounts not subject to garnishment are identified in 5 C.F.R. 581.104. Deductions, as identified in 5 C.F.R. 581.105, that will be excluded from garnishment are:
1. Civil Service Retirement System (CSRS)/Federal Employees Retirement System (FERS);

2. Social Security/Medicare;

3. TSP contributions;

4. Federal, state, or city/local income taxes (not including additional withholdings unless the employee presents evidence of a tax obligation which supports the additional withholding);

5. Federal Employees Health Benefits (FEHB);

6. Federal Employees’ Group Life Insurance (FEGLI) (basic only);

7. Indebtedness due to the U.S. Government, except where the employee's debt is for child support and the amount owed to the U.S. results from an income tax lien or levy;

8. Other deductions required by law or regulations to be withheld.

D. Maximum Garnishment Limitations. Aggregate disposable earnings means the amount of any pay that is due or payable to an employee as “remuneration for employment” minus the deductions that are listed as exclusions. Unless a lower maximum garnishment limitation is provided by applicable state or local law, the maximum part of the aggregate disposable earnings subject to garnishment to enforce a support order (5 C.F.R. 581.402) will not exceed the percentages specified in the following subparagraphs:

1. Fifty percent of the employee’s aggregate disposable earnings for any workweek if the employee is supporting a spouse, a dependent child, or both, other than the former spouse, child, or both for whose support is required by the garnishment order. An additional 5 percent of the employee’s disposable earnings is subject to garnishment in each case if the outstanding arrearages are over 12 weeks old.

2. Sixty percent of the employee’s aggregate disposable earnings for any workweek if the employee is not supporting a spouse, dependent child, or both, other than the former spouse, child or both for whose support is required by the garnishment order. An additional 5 percent of the employee’s disposable earnings is subject to garnishment in each case if the outstanding arrearages are over 12 weeks old.

* E. Procedures. Send all court orders for child support and alimony to:

DFAS-Cleveland
Garnishment Operations
P.O. Box 998002
Cleveland, OH 44199-8002
Upon review of the court order, DFAS-CL will process the garnishment deduction in DCPS. A cancellation to the order will be automatic on the date of separation from DoD, upon death of the employee, or upon notification from the court that the garnishment is terminated. The employee cannot voluntarily stop these court ordered deductions.

*080403. Commercial Garnishments

A. Authority. Title 5, U.S.C.§ 5520a authorizes the garnishment of Federal employees' wages for commercial debts. The PRO must deduct commercial garnishments under this section from the employee’s pay in accordance with 5 C.F.R. part 582.

B. Pay Subject to Commercial Garnishment. Pay due to employees, as defined in 5 U.S.C. § 5520a, is subject to commercial garnishment.

C. Pay Not Subject to Commercial Garnishment and Exclusions. Suggestion awards and injury compensation payments are not subject to garnishment. As identified in 5 C.F.R. 582.103, deductions that will be excluded from garnishment are:

1. CSRS/FERS;
2. Social Security/Medicare;
3. TSP contributions;
4. Federal, state, or city/local income taxes (not including additional withholdings unless the employee presents evidence of a tax obligation which supports the additional withholding);
5. FEHB;
6. FEGLI (basic only);
7. Indebtedness due the U.S. Government; and
8. Other deductions required by law or regulations to be withheld.

D. Maximum Garnishment Limitations. A maximum of 25 percent of an employee's disposable pay may be withheld to satisfy garnishments for commercial debts. The term disposable pay means the amount of any pay due or payable to an employee as remuneration for employment, minus the deductions listed in subparagraph 080403.C. If the employee already has a child support or alimony withholding order in effect, and the total deduction for child support and alimony equal or exceeds 25 percent of an employee's disposable pay, then do not process a deduction for a commercial debt. Further, limitations on the amount to be garnished are found
in 5 C.F.R. 582.402. There is no limit on the percentage amount for garnishment for Federal, state, or local tax obligations, or for bankruptcy court orders.

* E. Procedures. Send all court orders for commercial debts to:

DFAS-Cleveland
Garnishment Operations
P.O. Box 998002
Cleveland, OH 44199-8002

Toll free fax (877) 622-5930
Commercial fax (216) 367-3675

Upon review of the court order, DFAS-CL will process the commercial garnishment deduction information in DCPS. A cancellation to the court order will be automatic on the date of separation from DoD, upon death of the employee, or upon notification from the court that the garnishment is terminated. The employee cannot voluntarily stop court ordered deductions.

F. Administrative Fee. A $75.00 administrative fee will be added to the garnishment amount and collected from the employee. The administrative fee will be collected in full before any payments are remitted to the creditor. The $75.00 administrative fee will be assessed for each commercial garnishment that is received and processed.

0805 BANKRUPTCIES

*080501. General

This section applies to DoD employees who have filed a bankruptcy petition under Chapter 7 or Chapter 13 of Title 11 of the United States Code (Bankruptcy Code). The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, DFAS will process the collection in accordance with the instructions on the court order.

A. Automatic Stay Provisions. Collecting an amount of indebtedness owed to the U.S. that was incurred prior to the filing date of the petition is described as a prepetition debt. Collecting debts by offset from the employee’s pay account is authorized only through the day prior to the date the bankruptcy petition is filed. Continuing deductions from the employee’s pay after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the employee. The automatic stay provisions of the Bankruptcy Code do not preclude continued deductions based on court-ordered child support and spousal support obligations. Coordinate with the DFAS office of General Counsel (OGC), Garnishment Operations if there are any questions about collecting a debt when a debtor has filed bankruptcy.

B. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the employee has listed the U.S. Government as a creditor, the PRO
files a proof of claim with the bankruptcy court concerned for all Chapter 13 filings and, if requested by the bankruptcy trustee, for Chapter 7 cases.

* C. Post-Petition Debt. If the bankruptcy is completed and the employee receives a discharge, then generally, the listed indebtedness to the United States is discharged with few exceptions. Any new debt that was incurred after the filing of the bankruptcy petition is known as a post-petition debt. The bankruptcy proceedings do not affect post-petition debts. However, prior to taking any collection action on post-petition debts, the matter should be coordinated with the DFAS Office of General Counsel, Garnishment Operations.

D. Court Dismissal. If the court subsequently dismisses a bankruptcy case, then collection of the previously suspended debt is permitted by offset if otherwise authorized.

E. Procedures

1. Submit or fax bankruptcy notices and Chapter 13 withholding orders to:

   DFAS-Cleveland
   Garnishment Operations
   P. O. Box 998002
   Cleveland, OH 44199-8002

   Toll free fax  (877) 622-5390
   Commercial Fax  (216) 367-3675

   a. The employee’s full name and full Social Security Number must be included with the bankruptcy order.

   b. The bankruptcy notice is effective when it is signed by the court and the provisions of the automatic stay are effective on the date that the bankruptcy petition is filed.

   c. When the notice does not sufficiently identify the employee, return it directly to the person who submitted the order with an explanation of the deficiency.

2. Upon receipt of an effective bankruptcy order, together with all the required information, Garnishment Operations will review the case to determine if there are any commercial garnishments that need to be terminated as a result of the automatic stay (child support, alimony, child support arrears, and alimony arrears are not terminated unless the bankruptcy order specifically so states). Garnishment Operations will then establish the withholding against the employee’s pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is canceled or suspended.
a. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the employee.

b. The letter will inform the employee the date that the withholding is scheduled to begin and the amount or percentage that will be deducted.

c. When the employee identified in the order is found not to be entitled to money due from or payable by DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from or payable by DFAS to the named individual. When it appears that amounts are exhausted temporarily, or otherwise unavailable, the authorized person shall be told why and for how long any money is unavailable, if known.

*080502. Adjustment of Debts of an Individual With Regular Income - Chapter 13 (The Plan)

A. Under the Bankruptcy Code, an employee may file a petition with the court to enter into a “Chapter 13 Plan.” *Title 11, U.S.C. § 1325* permits an indebted individual who has a regular income to file a Plan with the bankruptcy court designed to liquidate all or part of the creditor's claim. When a Plan has been approved, the court may order DoD to pay all or part of the employee’s wages to a trustee for the employee.

B. When the court confirms the Plan, its provisions are binding upon the employee and all creditors of the employee, regardless of whether they are affected by the Plan or have been included in the Plan.

C. Once the bankruptcy court confirms a Plan, it usually orders the employer to pay a specific amount of an employee’s income to the trustee named in the order.

D. The pay of an employee is subject to payment to the trustee appointed by the court pursuant to Chapter 13 of the Bankruptcy Code. Compliance with such a court order gives the government a valid acquittance against the employee since the court order is binding on the employee.

E. If the U.S. is both the employer and creditor when the individual files a Chapter 13 Plan, then the government’s priority under *31 U.S.C. § 3713* may be asserted in the absence of a judicial determination to the contrary. This is done through a filing of the proof of claim by the appropriate PRO. The proof of claim is filed with the bankruptcy court Official *Form B 410*, Proof of Claim.

0806 TAX LEVY FOR UNPAID FEDERAL INCOME TAX

*080601. Authority

The IRS District Directors are authorized under *26 U.S.C. § 6331* to collect delinquent Federal income taxes by levy on the salary or wages of any U.S. or Washington,
District of Columbia employee. When the employee fails to pay Federal income tax due within 30 days after the IRS issues a notice and payment demand, a levy against the employee’s wages may be issued. The levy is served against the take home pay of the employee and attaches only to the salary check or cash disbursement the employee would receive on payday if it were not for the levy.

A. Allotments. After the PRO receives a levy, the PRO must not allow employees to increase or add any voluntary allotments. Changes that increase existing voluntary allotments are only authorized after the total tax liability is paid or arrangements are made with the IRS.

B. Time Limits. The IRS has the authority to collect outstanding Federal taxes for 10 years from the date the tax liability was assessed. However, the 10-year collection period can be suspended and the amount of time the suspension is in effect will be added to the time remaining in the 10-year period. For example, if the 10-year period is suspended for 6 months, the time left in the period the IRS will have to collect will increase by 6 months.

080602. Procedures

When the IRS serves the Form 668-W(c), Notice of Levy on Wages, Salary, and Other Income, the PRO will take immediate action to implement the levy. Once the PRO processes the levy, the levy will continue in effect until the collection is complete or until the IRS releases the levy.

A. Notice to Employee. The PRO must follow instructions as indicated on Form 668-W(c) and provide notice to the employee that a levy has been received.

B. Claiming of Exemptions. Employees are permitted to claim a biweekly personal exemption and a biweekly exemption for each dependent. The IRS changes the exemption amounts each year. The PRO must use the IRS Publication 1494 schedule issued with the Form 668-W(c) for the current exemption amounts.

1. Employee Responsibilities. The employee must certify exemptions and provide the information to the PRO on Form 668-W(c) under “Statement of Exemptions and Filing Status.” The employee must return the completed form to the PRO for processing. If the employee fails to provide exemption information to the PRO, a dependency exemption will not be allowed and only the minimum personal exemption for each pay period will be allowed. An employee may provide a new statement to the PRO at a later date to have the exempt amount recomputed. The employee does not have to return the form if they have no dependency exemptions to claim.

2. Court Judgment. If the employee is required by a court judgment (made before the date of the levy) to contribute to the support of minor children, that amount of salary, wages, or other income is already exempt from the levy and the employee may not claim the minor children as exemptions.
C. Computing Take Home Pay. The levy attaches to the employee’s take home pay minus the allowable exceptions. Unless otherwise instructed by the IRS, the employee’s payroll deductions in effect when the levy was received will be allowed when determining the employee's take home pay. However, a voluntary allotment may be disallowed if the deduction is so large it defeats the levy. The IRS may notify the PRO when different procedures should be followed for specific employees. To determine the employee’s take home pay, the levy attaches to the gross amount of the employee’s accrued wages or salary, less the following deductions:

1. Social Security/Medicare;
2. Retirement;
3. FEHB;
4. FEGLI;
5. Pay attached or garnished for child support or alimony;
6. Overpayments due the U.S. Government; and
7. Allowable personal exemptions, certified by the employee on Form 668-W(c).

D. Return Form 668-W(c) to the IRS. After the PRO makes the first deduction for the levy against the employee’s pay, the PRO must follow instructions on the Form 668-W(c) and return Part 3 of the form to the IRS.

E. Employee Transfers or Separation

1. Transfers Within DoD. If the employee has been reassigned to an organization serviced by another PRO, then the losing PRO must inform the IRS District Director of the employee's new address. The losing PRO must mail the complete levy package to the new PRO for processing.

2. Other Employee Transfers or Separation. If the employee has moved from overseas, transferred to another Federal agency, separated or retired, then PRO will return the levy to the IRS District Director and provide the employee's new address, if known, on Form 668-W(c).

F. No Employee Record Found. If the PRO receiving the levy has no record that payroll service has been furnished for the employee, the PRO must annotate that fact on the bottom of the levy and return the levy to the IRS District Director.
An employee may arrange with the IRS to liquidate a delinquent Federal income tax debt through voluntary biweekly payroll deductions. **IRS Form 2159**, Payroll Deduction Agreement must be submitted to the PRO to initiate the deduction process.

*0807 PAY CORRECTIONS AND TAX REPORTING*

**080701. General**

**A. Purpose.** This section provides guidance on how to process pay corrections and the corresponding tax reporting when an employee has been overpaid or underpaid earnings.

**B. Authoritative Guidance.** The authority used to derive procedures for this section includes IRS Circular E and corresponding statutes and regulations.

**080702. Corrections for Underpayment of Earnings**

For active or separated employees, there is no distinction between a payment for the current or prior calendar year. The adjusting payment is reported as wages at the time the payment is made. No correction on the **IRS Form 941** is required.

**A. Active Employees.** For active employees, the PRO must:

1. Process the payment in the next regular pay cycle;

2. Report the gross wages subject to Social Security/Medicare taxes withheld as current quarterly earnings on the IRS Form 941; and

3. Include the earnings and Social Security/Medicare taxes withheld on the W-2 for the current year.

**B. Separated Employees.** For separated employees, the PRO must:

1. Reestablish the employee on the payroll and process the payment in the current pay cycle;

2. Report the gross wages subject to Social Security/Medicare taxes withheld as current quarterly earnings on Form 941; and

3. Prepare W-2c if a W-2 was issued.
1. Instruct the employee to refund the overpayment in accordance with due process procedures; and

2. Record the amount as a reversal in the base pay, gross pay, net pay, or other pay as applicable, after receipt of the refund or returned check from the employee.

B. Separated Employees. For separated employees, the PRO will follow debt collection procedures as outlined in Volume 16, Chapter 3.

1. Reestablish the employee on the payroll and process the reversals in the current pay cycle.

2. Prepare W-2c if W-2 was issued.

*080704. Corrections for Overpayment of Earnings for a Prior Year

If the overpayment occurred in a previous calendar year, then no correction of earnings for Federal, state, or local withholding taxes will be made for the current calendar year.

A. Active Employees. For active employees, the PRO will:

1. Prepare a W-2c in accordance with IRS Circular E for the prior year to reduce the gross wages subject to Social Security/Medicare and Social Security/Medicare taxes withheld if the year of repayment is still within the 3-year statute of limitations for Social Security and/or Medicare tax refunds. Send copies to the employee and copy A to the Social Security Administration (SSA). Upon completion of the correction procedures, send a separate IRS Form W-3, Transmittal of Wage and Tax Statements, with the corrected W-2 to the SSA. If the repayment is beyond the 3-year statute of limitations, then do not make corrections to prior year W-2 and Form 941;

2. Attach the employer's copy of the W-2c to the retained W-2 previously issued for the prior year;

3. Prepare Form 941-X, to correct errors made on IRS Form 941;

4. Retain copies of the forms in the PRO;

5. Prepare a tax certificate for the employee after collection of the amount due from the employee. The amount entered on the certificate is the total amount of the reverse deductions plus the amount the employee repaid. The employee may be entitled to a deduction (or credit in some cases) for the repaid wages on the employee’s income tax return for the year of repayment. See 26 U.S.C. 1341 and IRS Publication 525.

6. Manually note the amount of the correction and the date of the collection on the employee's prior year individual pay record.
B. Separated Employees. For separated employees, the PRO will:

1. Follow procedures outlined in subparagraphs 080704.A, and

2. Keep a copy of the W-2c and Form 941-X to balance the annual Federal tax deposits.
VOLUME 8, CHAPTER 9: “RECORDS, FILES, AND REPORTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2014 is archived.

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<td>Revised the entire chapter to include administrative updates and hyperlinks.</td>
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<td>0901</td>
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<tr>
<td>090306.F</td>
<td>Added subparagraph on “Affordable Care Act Reporting.”</td>
<td>Addition</td>
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<td>090306.G</td>
<td>Added subparagraph on “Foreign Language Pay Reporting.”</td>
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CHAPTER 9

RECORDS, FILES, AND REPORTS

*0901 GENERAL

090101. Purpose

This chapter provides guidance on records, files, and reports kept by the Civilian Payroll Offices (PRO).

090102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

0902 RECORDS AND FILES

090201. Payroll Documentation

A. Disbursement Documentation. Documentation in the form of a voucher must be prepared for each disbursement or group of disbursements authorized to be paid by any Department of Defense (DoD) Component. A voucher is the authority for payment and must be correctly prepared in accordance with all legal and regulatory guidance, supported with proper documentation, and certified by an authorized certifying official prior to disbursement. DoD agencies are not permitted to give an employee the authority to certify his or her own disbursements.

1. Disbursements to the Office of Personnel Management (OPM). Deductions for the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), life insurance, and health benefit programs with employer contributions are routinely paid to OPM each pay period. The automated Standard Form (SF) 2812-A, Report of Withholdings and Contributions for Health Benefits by Enrollment Code, is used to report these deductions to OPM. A consolidated SF 2812-A must be submitted biweekly to OPM through the Retirement and Insurance Transfer System (RITS). For additional information on RITS, see subparagraph 090303.C.

2. Disbursements to Taxing Authorities. Federal income, Social Security, and Medicare taxes withheld must be paid to the Internal Revenue Service (IRS) as provided by the IRS Publication 15 (Circular E), Employer’s Tax Guide. State or city/local income taxes withheld must be paid to the appropriate taxing authority in accordance with the Treasury Financial Manual (TFM), Volume I, Part 3, Chapter 5000 and Title 31 Code of Federal Regulations (C.F.R.) Part 215.

3. Disbursements to Thrift Savings Plan (TSP). Employee and employer contributions for traditional or Roth TSP accounts, and deductions for TSP loan
repayments must be paid to the TSP Record Keeping Service Provider. For additional information, see the TSP website.

4. Other Disbursements. All other amounts withheld must be paid in accordance with applicable regulations or instructions furnished by the employee.

B. Deduction Documentation. Payments to those for whom deductions are authorized to be paid must be reconciled on a cyclical basis, at least annually, with the amounts withheld plus the related employer contributions, if any, as shown by the pay or other records. This procedure is necessary to determine whether the correct amounts are being reported to those authorized to receive deductions and contributions withheld from the employee’s pay. Payroll records must provide a clear audit trail from the gross pay calculation to the net pay received by the employee by pay period and by year-to-date totals.

1. Tax Withholding. The amounts reported on the annual IRS Form W-2, Wage and Tax Statement must match the total amounts withheld during the year as shown by the PRO records.

2. Individual Retirement Record (IRR). A related control account and an SF 2806, Individual Retirement Record (CSRS), or an SF 3100, Individual Retirement Record (FERS), must be maintained in accordance with OPM requirements for each civilian employee for whom retirement deductions are made. For information on items reported on the Individual Retirement Record, refer to the CSRS/FERS Handbook, Chapter 81 and Benefits Administration Letter 15-102.

3. Federal Employees’ Group Life Insurance (FEGLI). Each DoD PRO must keep a record of the total amounts withheld from employees’ salaries and the total amount of the employer’s contributions for FEGLI for each calendar year. These records must be kept in a ledger or other appropriate form or represented by file copies of vouchers that were used to report information to OPM.

4. Federal Employees Health Benefit (FEHB). A record of employee deductions and the employer’s contributions for health benefits must be kept by each enrollment code number. The PRO and the health benefit carrier must submit the enrollee data included in this record to the National Finance Center’s (NFC) FEHB Centralized Electronic Enrollment Reconciliation Clearinghouse (CLER) System on a quarterly basis. The Human Resources Office (HRO) and the PRO must review any error codes identified in the CLER system and resolve the discrepancies. The discrepancies are resolved by comparing the health benefits coverage reported by the PRO, the health benefits coverage reported by the carriers, the SF 2809, Health Benefits Election Form, and the SF 2810, Notice of Change in Health Benefits Enrollment, sent in support of the coverage.

5. TSP Deductions. The HROs must maintain a record of traditional and/or Roth TSP deductions and agency contributions for each employee.
090202. Retroactive Computations Involving Former PROs

A. General. When retroactive payroll computations are required that involve one or more former PROs, the consolidated PRO maintains overall responsibility for the adjustment process. If it is determined that a former PRO is involved, the consolidated PRO is responsible for contacting each former PRO to obtain the necessary information.

B. Documentation Requests. If the consolidated PRO is unable to obtain the documentation necessary to perform the retroactive calculation, one or more of the following steps may be taken:

1. Request Archived Documents from the National Personnel Records Center (NPRC). When copies of the SF 135, Records Transmittal and Receipt, are unavailable at the employee’s former office, the current PRO must complete a National Archives and Records Administration (NARA) Optional Form (OF) 11, Reference Request - Federal Records Centers, with all available information. The employee’s name, Social Security number (SSN), known places of employment, names and payroll office numbers of applicable PROs, and year(s) for which the records are requested must be included in the description and remarks section of the Form.

2. Contact the Appropriate Human Resources Office (HRO). If the NPRC cannot locate the records, the PRO must prepare a memorandum to the appropriate HRO requesting copies of the SF 50, Notification of Personnel Action, or other related pay and/or leave information. Since there may have been consolidations of both the PRO and the appropriate HRO prior to the Defense Civilian Pay System (DCPS) consolidations, it is imperative that both offices work together to obtain information that will assist in the determination of pay and leave adjustments for the employee.

3. Contact the Employee. If the PRO cannot locate documentation from the NPRC or the appropriate HRO, the PRO must contact the employee for the necessary documentation. If the employee has copies of the SF 50 and/or the Leave and Earnings Statement (LES), the PRO may accept this information and use it to reconstruct the pay and/or leave records.

4. Contact OPM. If the transmittal letters to OPM and/or copies of the retirement records cannot be located, the PRO may submit a request to OPM in writing to procure the necessary copies of the records. The PRO may use the information on the retirement records for reconstruction of pay information for adjustments.

0903 REPORTS

090301. General

DoD civilian payroll systems must conform to various legal and regulatory requirements by generating reports at regular intervals, on an as-needed basis or by producing reports to meet special requirements. The PRO must support management by generating reports that provide the necessary information to ensure the system’s integrity. Individuals who create reports are responsible for correcting errors due to inaccurate reading or entering of data. Discrepancies in
reporting, transmitting, or depositing funds must be resolved promptly. Pursuant to the provisions of the Government Accountability Office (GAO) publication Maintaining Effective Control Over Employee Time and Attendance Reporting, *GAO-03-352G*, reports must be:

A. Prepared accurately and promptly, distributed to the appropriate recipients to ensure receipt when the information will be of maximum benefit;

B. Based on, supported by, and periodically validated against appropriate detailed information in the payroll system;

C. Sent in a timely manner to officials who authorized, or were responsible for, processing payroll transactions, and reviewed by those officials for completeness and accuracy;

D. Discussed periodically with users and modified or eliminated as appropriate to meet user needs; and

E. Retained and disposed of in accordance with NARA General Records Schedule 2, with sensitive data handled in accordance with the provisions of the Privacy Act. See *5 C.F.R. 2606*.

*090302. As-Required Reports

A. Income and Employment Tax Reports. Income and employment tax reports are submitted to cities/localities that have an agreement with the Secretary of the Treasury and to cities/localities where voluntary deductions have been taken from employees. Reports are sent to the city/local taxing authorities based on the frequency prescribed by each municipality. See TFM, Volume I, Part 3, *Chapter 5000*.

B. State Income Tax Reports. These reports are required by states that have reached an agreement with the Secretary of the Treasury. These reports are submitted to the state taxing authorities based on the frequency prescribed by each state. See TFM, Volume I, Part 3, Chapter 5000.

C. Report on Transfer of Employee

1. **SF 1150, Record of Leave Data.** The losing PRO must prepare an *SF 1150* at the time of the employee’s separation if the employee transfers within DoD to another PRO or to another Federal agency. All blocks on the SF 1150 must reflect accurate data. In addition to reporting transferred leave data, the form contains other pertinent information for the employee in the Remarks section. This includes, but is not limited to: year-to-date wages for Social Security and/or Medicare tax purposes, year-to-date TSP deductions, last deduction for FEHB and FEGLI, date through which the insurance deductions were made, and overseas or territorial differential data.

a. The losing PRO forwards the completed SF 1150 to the losing HRO.
b. The losing HRO includes it in the employee’s Official Personnel Folder (OPF) and forwards it to the gaining HRO.

c. The gaining HRO then forwards the SF 1150 to the gaining PRO.

2. Delayed Receipt of SF 1150. If there is a delay of the OPF containing the SF 1150 reaching the appropriate gaining HRO, and the employee is taking leave, the gaining PRO is responsible for determining the employee’s leave balance. If necessary, the gaining PRO may request the leave balance electronically or by fax. This information is subject to the Privacy Act and handled accordingly. The gaining PRO may use the leave balance shown on the employee’s last LES, subject to verification upon receipt of the SF 1150.

3. OPM Form 630, Application to Become a Leave Recipient Under the Voluntary Leave Transfer Program (VLTP). Use version A, B, or C as appropriate for the VLTP action requested. This form records the transfer of leave for leave recipients covered by the VLTP. The OPM 630 is used when a current leave recipient transfers to another PRO or Federal agency without a break in service and will be attached to the SF 1150.

D. Request for Wage and Separation Information. The PRO must report wage data to the appropriate HRO in accordance with Chapter 6. The appropriate HRO maintains a file copy of all data furnished for 2 years in accordance with the General Records Schedule 2, and then destroyed.

E. SF 2806 and SF 3100. In accordance with Chapter 4, the PRO will prepare and maintain the SF 2806 and the SF 3100.

F. IRS Form W-2c, Corrected Wage and Tax Statement, and IRS Form W-3, Transmittal of Wage and Tax Statements. The Defense Finance and Accounting Service (DFAS) is responsible for:

1. Preparing an IRS W-2c in accordance with Circular E to correct prior year wages and tax withholdings as applicable;

2. Providing copies to the employee and copy A to the Social Security Administration (SSA);

3. Sending a separate IRS W-3 with the corrected IRS W-2c to the SSA upon completion of the correction;

4. Retaining the employer’s copy of the Form W-2c in the PRO;

5. Preparing an IRS Form 941c, Supporting Statement to Correct Information Previously Reported on the Employer’s Federal Tax Return, to adjust the gross wages subject to Social Security and/or Medicare taxes;
6. Attaching an IRS 941c to the current quarterly **IRS Form 941**, Employer’s Quarterly Federal Tax Return, and entering the amount of the adjustment on the IRS 941. Copies of both forms will be maintained in the PRO;

7. Retaining a copy of IRS W-2c and IRS 941c in the current year quarterly tax folder to balance annual Federal tax deposits;

* 8. Preparing the **IRS Form 1095-C**, Employer-Provided Health Insurance Offer and Coverage, for the IRS and the employee for the previous tax year; and

* 9. Preparing the **IRS Form 1094-C**, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns. This form is sent to the IRS in conjunction with the Form 1095-C.

090303. Biweekly Reports

A. **Leave Earnings Statement (LES)**. The LES must show gross pay, deductions, net pay, and employer contributions for the current pay period and cumulative totals for the current year. The LES must reflect the accrued and used leave balances for the pay period and year-to-date values. The LES must be made available electronically by accessing the myPay website or mailed to the employee’s non-work address every pay period.

B. **SF 2812-A**. The amount collected for employee retirement (CSRS and FERS), FEHB, and FEGLI deductions, military service deposits, reemployment offsets, and the agency’s contributions for retirement (CSRS and FERS), FEHB, and FEGLI are transferred to OPM. As prescribed by OPM, the PRO uses a “no-check-issue” as the means of payment to OPM. Funds are transferred to OPM using the SF 2812-A. The SF 2812-A reports the total employee deductions and agency contributions for health benefits by health benefits plan enrollment code for the pay period (see subparagraph 090201.A.1).

C. **Retirement and Insurance Transfer System (RITS)**

1. RITS is part of the Intra-Government Payment and Collection (IPAC) system developed by OPM and the Department of the Treasury (Treasury) to report civilian retirement and insurance contributions. The automated RITS interface with the payroll system replaces the manual reporting to OPM of the SF 2812-A.

2. To process the RITS transactions, the PRO must provide the disbursing office with the payroll system-generated hard copy of the Department of Defense (DD) Form 592, Payroll for Personal Services Certification and Summary, the SF 2812-A, and any disbursement vouchers for cash payments.

   a. Cash payments received from employees, such as military deposits and health benefits payments, are considered current transactions. The funds are collected and disbursed from the deposit fund suspense account. The total of the DD 592 and cash
disbursement voucher must equal the total of the SF 2812-A. Cash collections for health benefit indebtedness received from pay accounts not carried forward from former payroll offices must be reported to OPM separately on a supplemental SF 2812-A using the Off-Line Bulk Data Transfer RITS software.

b. The disbursing office must ensure the voucher amounts agree and the vouchers contain proper certifying signatures before authorizing the transmission of the file to OPM. The delay between the creation of the system file and transmission is a necessary step in the process to establish adequate internal controls for the disbursement of Government funds. If the file is transmitted before the payment date, OPM must warehouse the data until the settlement date.

c. The IPAC transaction is a direct payment to OPM. Report the transaction on the SF 1219, Statement of Accountability.

3. RITS provides the capability to report on a regular biweekly basis, as well as to report adjustments in a supplemental off-cycle mode. Reporting during the regular biweekly cycle is the preferred method and automated capabilities of the payroll system must be fully utilized in order to do so. Use of a supplemental reporting cycle must be limited to the greatest extent possible.

4. Consolidated PROs using RITS may find it necessary to report adjustments related to former PROs as well as adjustments related to the consolidated office. In these situations, the following may be applicable:

a. Adjustments for Accounts That Have Not Been Transferred to the Consolidated PRO. These accounts were inactive on former payroll office records and did not convert to the consolidated office. Responsibility for these adjustments is now with the consolidated payroll operation and is under the DFAS PRO operations. These adjustments could involve correction of a retirement plan, cash collection for military deposits, or health benefit indebtedness.

   (1) Retirement Plan Correction. These adjustments must be reported to OPM via a hard copy SF 2812-A citing the PRO number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former PRO must be prepared and forwarded to OPM. Copies of the SF 2812-A, registers, and records must be forwarded to the departmental reporter for the former payroll office so that cumulative balances may be adjusted.

   (2) Cash Collections for Military Deposits. The PRO must report cash collections for military deposits via a hard copy SF 2812-A citing the PRO number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former PRO must be prepared and forwarded to OPM. Copies of the registers, records, and SF 2812-A must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted.
(3) **Cash Collections for Health Benefit Indebtedness.**
Cash collections for health benefit indebtedness must be reported via RITS as a supplemental SF 2812-A from the consolidated payroll office using the consolidated PRO Number.

b. **Adjustments for Accounts That Have Been Transferred to the Consolidated PRO.** These accounts were active on former PRO records and converted to the consolidated office. Adjustments may be for accounts that have become inactive since consolidation or for those still in an active status. As part of the consolidated payroll operation, DFAS PRO is responsible for these adjustments. Records for both the former and consolidated payroll offices may need to be corrected, depending on the effective date of the correction involved.

   (1) **Retirement Plan Correction.** The adjustment may involve both hard copy reporting via the SF 2812-A and reporting via RITS. Adjustments that are effective prior to the transfer to the consolidated office must be reported to OPM via the SF 2812-A citing the former PRO number. Corrected retirement records and registers for that portion applicable to the former PRO must be prepared and forwarded to OPM. A copy of the SF 2812-A, registers, and records must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted. That portion of the adjustment applicable to the consolidated PRO must be corrected through the payroll system and reported via the RITS regular biweekly cycle. Adjustments for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account.

   (2) **Cash Collections for Military Deposits.** Cash collections for military deposits must be reported via RITS during the regular reporting cycle. Collections for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account. Correction through the payroll system is necessary in order to maintain the proper sequencing of system-assigned register numbers.

   (3) **Cash Collections for Health Benefit Indebtedness.**
Cash collections for health benefit indebtedness must be reported via RITS during the regular biweekly reporting cycle.

D. **TSP-2-F, Certification of Transfer of Funds and Journal Voucher.** A “no-check-issue” procedure is used to transfer the amount collected for employee TSP deductions as well as the agency contributions to NFC. Funds are transferred to NFC using the TSP-2-F.

E. **DD 592.** This payroll voucher is used to certify the accuracy of the payment. It also provides total payroll costs and detailed accounting data by appropriation and accounting activity in connection with the civilian payroll.
F. Reports of Salary Offsets for Non-DoD Federal Agencies

1. Report of Collections. The PRO must forward a biweekly report to each creditor agency of the collections made for the pay period. This report must include, at a minimum, the non-DoD agency to which the collections apply, the PRO name and address, the employee’s name, the amount collected for each employee, the period for which the collection applies, and the total amount of collections remitted to the non-DoD agency.

2. Report of Employees with Salary Offset. The PRO forwards a biweekly report of employees with salary offsets for non-DoD Federal agencies to the DFAS site that originally forwarded the salary offset request to the PRO. This report must include, at a minimum, the employee’s name, SSN, creditor agency, amount of the last biweekly collection amount, pay date of the last collection, and the debt balance amount. In the case of employees with more than one debt to a non-DoD Federal agency, the information required in this paragraph must be provided for each debt.

G. Reporting Union Dues to Labor Organizations or Associations of Management Officials or Supervisors. Each pay period, the PRO must prepare a listing for each recipient of withheld dues. At a minimum, the listing must include the name and address of the PRO, the labor organization or association for which the listing pertains, employee names and amount of dues deducted for each, total amount collected and system-generated remarks that explain the lack of deductions.

H. Combined Federal Campaign (CFC) Report

1. The PRO must provide a remittance report to the Principle Combined Fund Organization to include:
   a. The employing agency, e.g., Army, Navy, Air Force;
   b. The number of employees with a deduction by employing agency;
   c. The total pay period amount deducted; and
   d. The pay period date of the CFC data.

2. The PRO retains a summary report for each pay period date to include the CFC organization, the total number of employees with deductions, and the amount deducted for all employing agencies. See 5 C.F.R. 950.901.

*090304. Quarterly Reports

A. Continuation of Pay (COP) for Disabling, Job-Related Traumatic Injuries Sustained by Federal Employees. The Department of Labor requires a quarterly report on COP. The requirement applies to all PROs including National Guard units. See 20 C.F.R. 10.200.
B. Employment Statistics Program. Upon request, the PRO furnishes feeder data to the appropriate HRO on total wages paid to civilian employees for specific calendar quarters. The appropriate HRO must prepare and submit the final report.

C. IRS 941. Each PRO must report tax payment information to the IRS on IRS 941. The report must be completed and filed by the due date established by the IRS. This is normally the end of the month following the close of the quarter. If all taxes for the quarter are deposited when due, the PRO must file the IRS 941 by the 10th day of the second month following the close of the quarter. The tax payment information required under Schedule B, Record of Federal Tax Deposits, must be derived from the payment records. The total amount of tax payments during a quarter must agree with the total taxes due, with no further payment required to be made with IRS 941.

1. The PRO forwards the system generated IRS disbursement voucher “In Lieu of SF 1049,” Public Voucher for Refunds, to the disbursing office at an agreed upon time preceding the payment date for transmitting the voucher data through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a service offered by Treasury, which allows an agency to electronically file and make payments for IRS 941 taxes each quarter. See EFTPS Information on the IRS website.

2. The DFAS Cleveland Disbursing Office makes the daily tax deposits that are reported on the IRS 941 through the EFTPS. The tax deposit information is entered on the tax return, IRS 941, using a fillable form available from the IRS website. After IRS 941 is prepared, it is reviewed and signed by a supervisor then e-faxed to the IRS point of contact.

3. The disbursing office returns the IRS 941 printout to the PRO the day following each IRS disbursement. This printout reflects the cumulative totals for the quarter.

4. The PRO must correct any discrepancies.

D. Health Benefits Reconciliation Data File. Each quarter, the OPM FEHB CLER data must be reported to NFC, which implements a system to reconcile health benefits data for government agencies. The quarterly report of enrollees must include enrollee names, the total amount for employee deductions, and the total amount for employer contributions. The quarterly report must include enrollment data for all health plans for the payroll paid during the 1st through the 15th of March, June, September, and December. If there are two payrolls paid during that period, the PRO reports only the enrollment data for the last payroll paid. The data in this report is first sorted by FEHB enrollment code and then SSN. The report must provide a subtotal for each enrollment code and a grand total for each plan.

E. Transportation Fringe Benefit Report. A fringe benefit is a form of pay for the performance of services that is in addition to the employee’s regular salary or wages. Examples of transportation fringe benefits include the use of a business vehicle, transit passes, and the value of parking.
1. Employers are required to report the value of fringe benefits as taxable income for amounts that exceed the established IRS threshold.

2. The parking fringe benefit valuation must be reported by the employing activity directly to the servicing PRO on a quarterly basis to ensure proper reporting of income and collection of taxable wages on the IRS W-2.

3. The monthly value of the fringe benefit and the reportable taxable benefit must be included in the report.

4. Certain qualified transportation fringe benefit amounts may be excluded from an employee’s wages each month. See Chapter 3 for information on qualified transportation fringe benefits and IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits.

F. Civilian Direct Deposit Participation Report. When directed, the PRO must furnish data to the appropriate functional organization on civilian employees participating in Direct Deposit/Electronic Funds Transfer (EFT). This feeder-type information is used by DoD managers to report payment volumes and the percentage of payments made by EFT to the Bureau of the Fiscal Services within 25 days after the end of each quarter.

G. Reporting Workforce Information. OPM collects data from agencies relating to civilian employees in a manner and at times prescribed by OPM. See 5 CFR 9.2. The data reported is primarily used by the Office of Management and Budget (OMB) as a baseline for making policy decisions on personnel budget requests.

1. SF 113-A, Monthly Report of Federal Civilian Employment. The PRO must submit this report to OPM on a quarterly basis covering 3 months for the quarter or on a pay period basis covering the quarter. If the PRO submits data on a pay period basis, the PRO must report total employment “as of” September 30 for their September (fiscal year) submission. The report must reflect lump sum payments, wages, and salaries earned during the reporting period. The turnover data must include accessions and separations when the effective data occurs during the period covered. See SF 113-A.

2. SF 113-G, Monthly Report of Full-Time Equivalent/Work-Year Civilian Employment. The PRO must provide feeder data to the Defense Manpower Data Center for reporting to OMB. See SF 113-G.

090305. Semiannual Reports

A. Semiannual Headcount Report. OPM requires that a report of the withholdings and contributions for retirement, FEGLI, and FEHB be sent in the form of a semiannual headcount report. This report is required for the last pay period paid during the 1st through the 15th of March and September, in conjunction with the quarterly reporting of enrollment in all health benefits plans.

B. Report of Work Years and Personnel Cost. This report provides information required by OMB to estimate the cost of proposed Federal pay increases, evaluate the financial
effects of proposed legislation on civilian personnel compensation and benefits, and prepare analysis of pay and personnel benefits of Federal employees. The consolidated PRO provides feeder-type data on the leave data for part C of this report.

*090306. Annual Reports

A. Wage and Tax Statements

1. Wage and Tax Statements to SSA. IRS W-2 is used to report taxable income to the SSA and the IRS. The PRO must issue an IRS W-2 to employees no later than January 31 of the year following the applicable tax (calendar) year. This also applies to employees who died or separated during the year. Individuals may request the form at an earlier date by making their request in writing to the PRO. In such instances, the form is to be issued within 30 calendar days of receipt of the request or of the final payment, whichever is later. The DoD PROs are required to use the DFAS approved standardized IRS W-2 each year.

2. Wage and Tax Statements to States

a. The PRO provides this information to states that have entered into a Standard Agreement with Treasury or as authorized pursuant to a published routine use statement. See TFM Vol. 1, Part 3, Section 5070.10. The PRO will issue returns with respect to those employees who:

(1) Are employed in the state and subject to mandatory withholding of state income tax; or

(2) Have established voluntary allotments for the state’s income tax.

b. The PRO provides annual information returns on IRS W-2. Other forms prescribed by states should not be used.

c. The PRO includes in the returns only the information on IRS W-2.

d. The PRO must submit IRS W-2 to the states in print or electronically. The PRO must file all returns in accordance with regulations issued by the state taxing authorities. A list of state taxing authority contacts is available at the IRS website.

e. The PRO may need to report information to more than one taxing authority for the same employee. If so, it must supply a copy of IRS W-2 to the proper state, city, or local taxing authorities on request. Those authorities will decide if the employee is liable for any tax.

f. A state requirement to file information returns monthly does not affect existing arrangements to submit IRS W-2 only once a year.
3. **Wage and Tax Statements to Cities or Other Localities**

   a. In the case of an agreement with the city or locality, the PRO will issue returns with respect to those employees who are:

   (1) Employed in the city or locality and subject to the tax (whether or not tax is withheld); or

   (2) Residents of the city or locality and are subject to the tax (whether or not tax is withheld). If the city or locality has not entered into a Standard Agreement, with the prior written consent of the employee, or if authorized pursuant to a published routine use statement, the PRO will issue returns to the taxing authority with respect to an employee who has voluntary deductions for the city or locality’s income tax.

   b. The PRO provides annual returns on IRS W-2. Other forms prescribed by cities or localities must not be used.

   c. The PRO must include in the returns only the information on IRS W-2.

   d. The PRO must submit IRS W-2 in accordance with regulations issued by the city or locality taxing authorities.

   e. A city or locality requirement to file information returns monthly does not affect existing arrangements to submit IRS W-2 only once a year.

4. **Wage and Tax Statements to Employees**

   a. If the employee has not yet transitioned to an electronic IRS W-2 format, the PRO must mail annual wage and tax information returns to each employee’s non-work address by January 31 of the next year, unless the employee has consented to receive the IRS W-2 in an electronic format. The IRS W-2 must include the:

   (1) Employee’s name, SSN, and address;

   (2) Wages subject to Social Security/Medicare, Federal, state, city, or local withholding;

   (3) Social Security and/or Medicare, Federal, state, or local tax withheld, if any;

   (4) Name of state, city, or county; and

   (5) City and/or county assigned Employer Identification Number.
b. The PRO must mail corrections to the annual wage and tax information returns to an employee’s non-work address as soon as an error is discovered. Refer to subparagraph 090302.F for information on the IRS W-2c and IRS W-3.

* c. The PRO must issue Form 1095-C to employees no later than January 31 of the year following the applicable tax (calendar) year.

B. Student Loans. Agencies are required to report annually to OPM on their use of the student loan repayment authority. Before March 31 of each year, agencies must submit their reports for the previous calendar year. See 5 C.F.R. 537.110. The reports must contain:

1. The number of employees, who received student loan repayment benefits,

2. The job classifications of the employees who received student loan repayment benefits, and


C. Telework. The Telework Enhancement Act of 2010 requires that agencies report an annual telework participation goal. OPM issues an annual report to Congress summarizing information provided by agencies on the status of their telework programs. See Status of Telework in the Federal Government Report for Congress. The report provides a baseline for measuring each agency's progress toward meeting the requirements of the Telework Enhancement Act. Agencies are required to make an annual assessment of progress towards meeting participation goals. In cases where agencies do not meet goals, they must detail actions to be taken to identify and eliminate barriers to maximizing telework opportunities for the next reporting period. See Public Law 111-292, Section 6506; see also Telework.gov. Each report submitted must include:

1. The total number of employees in the agency;

2. The number and percent of employees in the agency who are eligible to telework; and

3. The number and percent of eligible employees in the agency who are teleworking:

   a. Three or more days per pay period;

   b. One or two days per pay period;

   c. Once per month; or

   d. Occasional, episodic, or short-term basis.
D. Child Development Programs (CDPs). Agencies initiating a child care subsidy program are required to track and report the utilization of their funds to OPM annually on a DD Form 2605, Department of Defense Child Development Program Summary of Operations. See 5 C.F.R. 792.204.

E. Experts and Consultants. Each agency that used and paid experts and consultants is required to submit an annual report to OPM. See 5 U.S.C. 3109(e) and 5 C.F.R. 304.107. This report must cover the entire agency for the year ending December 31st and be submitted by February 28th of the following year. See OPM Form 1623, List of Experts and Consultants hired Under 5 U.S.C.3109. This report must contain:

1. The number of days the agency employed each paid expert or consultant; and
2. The total amount paid by the agency to each expert and consultant, not including payments for travel and related expenses.

F. Affordable Care Act (ACA) Reporting. Applicable Large Employers (ALE) must report to the IRS whether the employer has made an offer of coverage to their full-time employees. An ALE is an employer with 50 or more employees. Reporting is made using Form 1095-C and the Form 1094-C for the previous tax year. See the IRS website on Information Reporting by Applicable Large Employers.

G. Foreign Language Pay Reporting. Each DoD Component with Defense Civilian Intelligence Personnel System (DCIPS) positions must submit to the Under Secretary of Defense for Intelligence through the Director, Human Capital Management Office a report on its foreign language pay program. See DoD Instruction 1400.25-V2016. These annual reports must:

1. Include a copy of the Component’s current foreign language pay policy or guidance, and copies of any related documents or communications issued on foreign language pay since the previous report was submitted;
2. Identify the total number of language-coded authorizations and official tasking that requests language and proficiency in support of mission requirements;
3. Identify the total number of DCIPS employees receiving foreign language pay, and whether or not they are assigned to designated foreign language positions. Include a breakout of the number of DCIPS employees identified as receiving foreign language pay by each language;
4. Identify the total amount of foreign language payments made in the past calendar year and a breakout of the amounts by language;
5. Identify for Interagency Language Roundtable Level 3 proficiency and above (combined), the percentage of recipients paid, by language; and
6. Discuss the current state of recruitment and fill of foreign language positions, including overages, trends, shortfalls, recommendations regarding foreign language pay policy, trends in payments (by language and amount of payment) from the previous year, and a brief statement reflecting the effectiveness of incentive pay in the recruitment.
VOLUME 8, CHAPTER 10: “SPECIAL CATEGORY EMPLOYEES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated January 2014 is archived.

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<td>101503.A.3</td>
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<td>1023</td>
<td>Added new section, “De Facto Employees” for clarity.</td>
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<tr>
<td>1024</td>
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CHAPTER 10

SPECIAL CATEGORY EMPLOYEES

*1001 GENERAL

100101. Purpose

This chapter provides guidance on special category employees. Special category employees include those whose retirement, leave, or pay may be specific to an occupational series or tour of duty. Special category employees also include employees deemed legally incompetent, missing or deceased, and de facto employees.

100102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

1002 OVERSEAS EMPLOYEES

100201. General

The general pay provisions for General Schedule (GS) employees who work stateside also apply to GS employees stationed overseas. The Department of Defense Instruction (DoDI) 1400.25, Department of Defense (DoD) Civilian Personnel Management System, Volume (V)1250, Overseas Allowances and Differentials, authorizes and governs the payment of allowances and differentials to DoD civilian employees who are citizens of the United States (U.S.) and located in a foreign area. The Department of State Standardized Regulations (DSSR) prescribe eligibility requirements, the applicable rates to be paid, and the provisions to be observed in paying overseas foreign area allowances and differentials to employees.

100202. Foreign Nationals

A. Authority. Title 22 United States Code (U.S.C.), section 3968 (22 U.S.C. § 3968) establishes the pay for foreign national employees. Delegation of authority is established by DoDI 1400.25 V1231, Employment of Foreign Nationals. Authority is delegated to each military department to re-delegate to its Service Component Commanders the authority to establish salaries, wages, fringe benefits, related compensation items, and other terms of employment for foreign national employees. Additional guidance can be found in the DoD Manual for Foreign National Compensation, DoD Manual 1416.08, which prescribes procedures and instructions for the development of compensation programs for foreign nationals employed by the U.S. Forces in foreign areas.

B. Entitlements. The Wage and Salary Division of the Defense Civilian Personnel Advisory Service (DCPAS) establishes wage schedules for foreign national employees
based on locality wage surveys, or other available data, as provided by the activity labor agreement between the U.S. and the foreign country. The basis for salary determinations and deductions are contained in the employing activity’s applicable inter-country agreements and personnel regulations.

100203. Canadian Employees

A. General. Canadian national direct-hire employees receive compensation comparable to that paid to Canadian Government employees in the same locality and performing essentially the same work with relatively the same degree of responsibility.

B. Authority. DoDI 1400.25-V1231 contains the authority for the administration of foreign nationals, including Canadians.

C. Entitlements

1. Holidays. Canadian legal holidays are observed with no charge to leave. If an emergency requires work on a Canadian holiday, the pay for an additional day is provided, or the employee is given compensatory time off. The following are the legal Canadian holidays:

   a. New Year’s Day (January 1);
   b. Good Friday (March-April);
   c. Easter Monday (March-April);
   d. Victoria Day (May 24);
   e. Canada Day (July 1);
   f. Civic Holiday (1st Monday in August);
   g. Labor Day (1st Monday in September);
   h. Thanksgiving Day (Oct-Nov);
   i. Remembrance Day (November 11);
   j. Christmas Day (December 25); and
   k. Boxing Day (December 26).

2. Absence and Leave. Employees accrue sick leave at a rate of 4 and one-quarter hours each pay period except for the last pay period of the leave year. During the last
pay period, 6 and one-quarter hours accrue. The total annual accumulation is 112 and one-half hours or 15 days of sick leave.

3. **Work-Related Injury or Illness.** The Federal Employees' Compensation Act covers work-related injuries or illness.

D. **Pay.** Salaries are based on rates in approved agreements between the Treasury Board of Canada and the Public Service Alliance of Canada for Canadian Civil Service Employees. The effective dates are the same as in the basic Canadian agreements. Pay is in Canadian dollars on a biweekly basis.

E. **Hours of Duty.** The workday is 7 and one-half hours, and the workweek is 37 and one-half hours.

F. **Step Increases.** Employees receive step increases until they reach the top step. Step increases require written certification by the supervisor that an employee has demonstrated an acceptable level of competence during the waiting period. Certification is completed and forwarded to the Human Resources Office (HRO) for processing prior to the effective date of the step increase. Step increases are effective at the beginning of the first pay period following the effective date of the anniversary.

G. **Retroactive Pay.** Retroactive pay adjustments are made based on agreements covering Canadian Civil Service employees. These adjustments are payable to employees separated during the retroactive period.

H. **Leave Without Pay (LWOP).** Aggregate periods of LWOP of more than 80 hours during the waiting period for a step increase will delay the increase. Extended periods of LWOP also affect leave accruals.

I. **Awards.** Canadian National employees generally are eligible for all awards, except quality increases.

J. **Canada Pension Plan.** The civilian payroll office (PRO) deducts employee contributions for the Canada Pension Plan from employee salaries. The U.S. Government pays the employer’s contribution.

K. **Registered/Retirement Pension Plan.** The U.S. Government pays an amount equivalent to the employees’ contributions up to a legal maximum of annual salaries.

L. **Severance Pay.** Employees are paid a lump-sum amount according to the following:

   1. **Lay-Off.** Two weeks of pay for the first complete year of continuous employment and 1 week of pay for each complete additional year of continuous employment with a maximum benefit of 28 weeks of pay.
2. **Resignation.** When an employee resigns with 10 or more years of continuous employment, they will be paid one-half week of pay for each complete year of continuous employment up to a maximum of 26 years with a maximum benefit of 13 weeks of pay.

3. **Retirement.** Upon retirement, when an employee would be entitled to an immediate annuity, or to an immediate annual allowance had the employee been under the Canadian Government Public Service Superannuation Act, an employee is paid 1 week of pay for each complete year of continuous employment with a maximum benefit of 28 weeks of pay.

4. **Death.** Upon death, the PRO pays 1 week of pay for each complete year of continuous employment, with a maximum benefit of 28 weeks of pay. Payment is made to the employee’s estate.

M. **Ontario Health Insurance Plan.** Employees enrolled in the Ontario Health Insurance Plan, are reimbursed an amount equivalent to the Canadian Government contributions under the plan. Claims for reimbursement, supported by receipts, are submitted annually by the end of the calendar year.

N. **Unemployment Insurance.** The U.S. Government contributes an amount equal to that paid by a Canadian Government employer to the Canadian fund. The PRO deducts the employee’s contribution from his or her salary. See information on unemployment insurance for Canadian employees in Chapter 6.

O. **Canadian Income Tax.** The PRO deducts an employee’s tax contributions from his or her biweekly salary.

P. **Accidental Life Insurance.** This is a voluntary contribution deducted from the employee’s biweekly salary at the employee’s request.

1003 OTHER THAN FULL-TIME CAREER EMPLOYEES

100301. **General**

This section provides guidance regarding employees who do not work the typical 40-hour workweek established under 5 C.F.R. 610.111. Such employees include part-time, intermittent, seasonal, and piecework employees.

100302. **Part-Time Employment**

Part-time employment generally is no less than 16 hours and no more than 32 hours per week under a schedule consisting of an equal or varied number of hours per day. Agencies may permit employees to work less than the minimum 16 hours per week based on guidance provided in Title 5, Code of Federal Regulations (C.F.R.) Section 340.202(b). Employment may be between 32 and 64 hours in a biweekly pay period in the case of a flexible or compressed work schedule. See 5 U.S.C. § 3401(2). Part-time employment does not include employment on a temporary or
intermittent basis. A part-time employee must have a regular schedule of at least 1 hour, set in advance, in each administrative workweek in each biweekly pay period. See 5 C.F.R. Part 340 and 5 U.S.C. § 3401-3408.

A. Benefits. Part-time permanent employees are eligible to receive the same benefits as full-time employees. On a prorated basis, part-time employees are eligible to receive leave, retirement, and health and life insurance coverage. See Office of Personnel Management (OPM) Hiring Authorities.

1. Leave

a. Annual Leave. Part-time employees, who have a regular tour of duty established in advance of one or more days during each administrative workweek, earn annual leave on a prorated basis based on the total number of hours in a pay status in each biweekly pay period, excluding overtime hours. See 5 U.S.C. § 6302. Hours in a pay status include straight time and additional hours worked, up to a total 80 hours in the biweekly pay period. Maximum carryover at the end of the leave year is the same as for a full-time employee. Leave is charged for an absence during the hours an employee is regularly scheduled to work. See Chapter 5.

b. Sick Leave. Part-time employees with a regularly scheduled tour of duty shall earn and be credited with 1 hour for each 20 hours in a pay status. See 5 U.S.C. § 6307.

c. Other Leave. Part-time employees are eligible for other leave categories (e.g., absent without leave (AWOL), LWOP, court leave, funeral leave, or excused absences) on the same basis as full-time employees. The rules governing the Family and Medical Leave Act of 1993 and the Federal Employees Family Friendly Leave Act also apply to part-time employees. See Chapter 5.

d. Military Leave. Each member of a Reserve Component who is an employee of the U.S. is entitled to a leave of absence from his or her duties without loss of pay, time, or efficiency rating for each day, but for no more than 15 days in any fiscal year in which he or she is on active duty or training. Eligible part-time employees accrue military leave that is prorated based on the tour of duty. See 5 U.S.C. § 6323(a)(2) and Chapter 5.

e. Holiday Leave. When a holiday falls on a scheduled workday, a part-time employee is entitled to basic pay for the number of hours the employee is regularly scheduled to work on that day, not to exceed 8 hours, unless covered by a compressed work schedule. A part-time employee is not entitled to pay for a holiday that falls on a day the employee is not normally scheduled to work.

f. “In Lieu of” Holiday. An “in lieu of” holiday is granted to replace the day designated as a holiday by Federal statute or executive order when the holiday falls on a full-time employee’s non-work day. Under DoDI 1400.25-V610, Hours of Duty, part-time employees are not entitled to “in lieu of” holidays. However, if a part-time employee is prevented
from working because the activity is closed, he or she may either be placed in an appropriate leave
category or be excused (placed on administrative leave) without loss of pay for the number of
hours that he or she is regularly scheduled to work on that day.

2. Retirement. Part-time employees are subject to deductions for
retirement benefits on the same basis as full-time employees.

3. Federal Employees’ Health Benefits (FEHB). Part-time employees
are eligible to participate in the FEHB Program. See the FEHB Handbook. The cost to the
employee is the total cost of health benefits (both the employee and the employer’s share) less the
prorated government contribution. See Chapter 11 for more information on FEHB for part-time
employees.

4. Federal Employee Group Life Insurance (FEGLI)

a. Part-time Eligibility. A part-time employee is eligible to
participate in the FEGLI Program. Participation is voluntary and eligible part-time employees are
automatically covered under the basic insurance option unless they waive the insurance coverage.
The part-time employee’s basic insurance amount is the greater of their annual rate of basic pay
rounded up to the next even $1,000 plus $2,000, or a flat $10,000. Basic life insurance coverage
is effective from the first day the employee is in an official duty status. Employees may elect
additional optional insurance within 31 days from their appointment date. All new employees
must complete a Standard Form (SF) 2817, Life Insurance Election, to cancel basic insurance or
to elect additional optional insurance. If a part-time employee becomes a full-time employee in
the middle of a pay period, the amount withheld for basic life insurance is based on the amount of
insurance last in force for the employee during the pay period (that is, the full-time rate). See
the FEGLI Program Handbook.

b. Nonpay Status. FEGLI coverage continues for up to
12 months when an employee enters nonpay status. FEGLI ends at the end of the 12 months with
a 31-day extension of coverage and a right to convert to an individual policy. If the employee is
in nonpay status for part of the pay period, withholding for premiums and the government
contribution is still required. The employee is not required to pay premiums while on LWOP
unless they are receiving benefits from the Department of Labor, Office of Workers’
Compensation Program (OWCP). See the FEGLI Handbook for special nonpay situations during
which the employee must continue to make premium payments.

c. Part-Time Annual Rate of Basic Pay. For life insurance
policies, the annual pay for a part-time employee is the annual rate of basic pay applicable to his
or her tour of duty in a 52-week work year. For example, an employee whose pay is $56,282 per
annum, employed half-time, would have an annual pay for insurance purposes of $28,141.

d. Concurrent Part-Time Employment. An employee may be
employed on a part-time basis in more than one Federal agency and eligible for FEGLI coverage
in one or both of the positions. However, an employee may not maintain more than one FEGLI
election even if he or she is serving in more than one position. See the FEGLI Handbook (under
“Concurrent Employment”) for exceptions including guidance concerning part-time employees in nonpay status at one of the agency positions. The amount of insurance is based on the sum of annual pay for all positions including annual pay for a position excluded from life insurance coverage.

(1) The agency that pays the greater of the two salaries makes the withholding and pays the government contribution.

(2) The agency must contact the other employing office, confirm the salaries paid and assume responsibility for withholding all of the required premiums from the salary.

(3) The agency that pays the greater salary to the individual must also provide the government contribution for basic insurance based on the aggregate amount of basic coverage the employee has from all covered positions. This eliminates the need for the other employing office to make partial withholdings and government contributions.

B. Pay. Gross basic pay is computed by multiplying the employee’s hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

1. Overtime Pay. Under 5 U.S.C. § 5542, overtime pay for eligible part-time employees is authorized only for work over 8 hours a day or 40 hours in a week.


3. Sunday Premium Pay. Under 5 U.S.C. § 5544(a) and 5 U.S.C. § 5546(a), a part-time employee is entitled to pay at his or her rate of basic pay plus premium pay at a rate equal to 25 percent of his or her basic pay for each hour of Sunday work. Sunday premium pay may be paid only to a part-time employee who has Sunday as part of his or her non-overtime regularly scheduled tour of duty (for example: Sunday through Thursday basic workweek). An employee with a tour of duty of Monday through Friday who works either regularly scheduled overtime or irregular or occasional overtime work on a Sunday is entitled to overtime pay and is not entitled to Sunday premium pay. An employee must perform actual work to receive Sunday premium pay. Employees who do not work during their Sunday tour of duty because they are on paid leave or excused absence, using compensatory time off or credit hours, or because Sunday is a holiday, are not entitled to Sunday premium pay. See Fathauer v. United States, 566 F.3d 1352 (Fed. Cir. 2009) and OPM Memorandum, dated December 8, 2009, for additional guidance. Information pertaining to Sunday premium pay for full-time employees is located in Chapter 3.

4. Night Differential Pay. Under 5 U.S.C. § 5545, GS part-time employees are entitled to night pay for work performed between 6:00 p.m. and 6:00 a.m. as part of their regularly scheduled administrative workweek. See Chapter 3.
5. **Night Shift Differential Pay.** Under 5 U.S.C. § 5343(f), Federal Wage System (FWS) part-time employees who work a regular scheduled shift of 8 hours or less are entitled to night shift differential. A majority of the hours worked, however, shall be on the second or third shift. For information on pay for the second and third shifts, see Chapter 3.

6. **Holiday Premium Pay.** Under 5 U.S.C. § 5546, a part-time employee who works on a holiday that falls during his or her regularly scheduled hours is entitled to holiday premium pay only for those scheduled hours. However, part-time employees who are excused from work on a holiday may only receive their rate of basic pay for the hours they are regularly scheduled to work on that day. Additionally, part-time employees do not receive holiday premium pay for working on an “in lieu of” holiday that is scheduled for full-time employees. Part-time employees are not entitled to an “in lieu of” holiday and, therefore, they are not entitled to holiday premium pay for work performed on that day.

100303. **Intermittent Employment**

A. **General.** The term “intermittent” relates to an employee’s work schedule and not the appointment type. Intermittent employees can be either permanent or temporary employees. Intermittent employees work sporadically and have no fixed or guaranteed schedules. This is other than full-time employment in which employees serve under an excepted or competitive service appointment without a regularly scheduled tour of duty. See 5 C.F.R. 340.403. An intermittent work schedule is appropriate for a position involving work that is sporadic and unpredictable such that a regular tour of duty cannot be scheduled in advance.

1. **Pay.** Intermittent employees are paid only for hours of work performed while in a duty status. The gross basic pay is computed by multiplying the employee’s hourly rate of pay by the total of the hours worked during the pay period. Because employees working on an intermittent basis do not maintain a regularly scheduled workweek as defined in 5 C.F.R. 610.102, intermittent employees are not eligible for pay for holiday work, night pay or night shift differential or Sunday premium pay. See 5 C.F.R. 532.509, 5 C.F.R. 550.121, and 5 C.F.R. 550.103. Intermittent employees are entitled to overtime when appropriate. Intermittent employees receive their normal salary for working holidays, Sundays, or during a night shift. An exception exists for an FWS intermittent employee assigned to a regularly scheduled shift of fewer than 8 hours. The FWS employee in this situation is entitled to night shift differential pay if a majority of the hours are worked during the period when night shift differential is payable. See OPM Appropriated Fund Operating Manual for FWS Employees, Subchapter S8-4. A GS intermittent employee is not eligible for night pay differential unless temporarily assigned to a regular tour of duty with night work.
2. **Leave.** Intermittent employees do not earn annual or sick leave.

3. **Sick Leave Recredit upon Transfer.** When a full or part-time employee transfers to an intermittent job to which he or she cannot transfer previously earned sick leave, the sick leave must be held in abeyance until the employee returns to the original leave system under which the leave was earned. The PRO must recredit the sick leave if the employee returns to the original leave system on or after December 2, 1994, without regard to the original date of transfer. See 5 C.F.R. 630.502.

4. **Lump-Sum Annual Leave Payment.** When a full-time or part-time employee is changed to an intermittent employee, any unused annual leave is paid as lump sum. A lump-sum payment is not required when the employee is part of a continuing program under which employees are required to return to full-time or part-time employment after a period of intermittent employment (e.g., student trainee). See 5 C.F.R. 550.1203.

C. **Deductions**

1. **Retirement.** Intermittent employees are not eligible for retirement coverage except when the intermittent employment follows employment in a covered position, and there has not been a break in service of more than 3 days. Intermittent employees are subject to Social Security and Medicare deductions. See 5 C.F.R. 831.201.

2. **FEHB.** Intermittent employees who are expected to work 130 hours per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 C.F.R. 890.102(c)(6) and Benefits Administration Letter (BAL) 14-210.

3. **FEGLI.** Intermittent employees are not eligible to participate in FEGLI except when the intermittent employment follows employment in a covered position, there has not been a break in service of more than 3 days, and the employee is expected to return to a covered position. For insurance purposes, the annual pay for intermittent employees is the annual rate that they were receiving at the end of the pay period or, in the event of death or dismemberment, the annual rate they were receiving at the time of the death or accident. For example, if an intermittent employee is paid $17.84 per hour, his or her rate of pay fixed by law is $37,232 (17.84 x 2,087 = $37,232). If this employee works only 2 days or 16 hours during a particular pay period, the annual rate of pay for insurance purposes is based on actual time worked during that pay period. In this example, $7,421 is the annual rate of pay for insurance purposes (17.84 x 16 x 26 = $7,421/year). However, insured employees whose annual pay is $8,000 or less are covered for the minimum $10,000 of basic insurance. See the FEGLI Handbook.

100304. **Seasonal Employment**

The term “seasonal” relates to an employee’s work schedule and not the appointment type. Seasonal employment was established to allow agencies to recruit and train employees for duty that occurs on a predictable yearly basis and is expected to last less than 12 months each year. See 5 C.F.R. 340.402. As with other career employees, seasonal employees are entitled to receive full
benefits. At the end of the season, the employee is placed into a non-duty/nonpay status and will be recalled at the onset of the next season in accordance with a pre-established agreement between the agency and the employee. Because there is no difference in “on-call employment” and “seasonal employment,” OPM has eliminated the use of the term “on-call employment.”

A. **Pay.** Gross basic pay is computed by multiplying the employee’s hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

B. **Leave.** Employees in a seasonal position earn leave during the time in pay status and during the first 80 hours in nonpay status each year. A seasonal employee earns leave on the same basis as any other employee eligible to earn leave. See 5 C.F.R. 630.208 for information on leave during nonpay status.

C. **Deductions**

1. Regularly scheduled seasonal employees under career or career-conditional appointments and who are expected to work at least 6 months per year are subject to FEGLI and retirement deductions. These deductions are made on the same basis as those of full-time employees.

2. Employees in a seasonal position who are expected to work 130 hours per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 C.F.R. 890.102 and BAL 14-210.

**100305. Piecework Employees**

When Executive Agency employees are hired on a piecework basis, the employee’s earnings are determined based on the amount of work produced. The general authority for entitlement of pay, scheduling of work, and excusing absences for piecework employees are granted under 5 U.S.C. § 6104 and 5 C.F.R. 610.301-306. Employees working limited appointments of 1 year or less and being paid piecework rates are excluded from retirement coverage unless they are covered by an exception. See 5 C.F.R. 831.201(a)(5). To determine rates payable for piecework, see 5 C.F.R. 532.241.

A. **FEGLI.** For life insurance purposes, the annual pay for a piecework employee is the total basic earnings for the previous calendar (52-week) year, not counting premium pay for overtime or holidays. See 5 C.F.R. 870.204(d).

B. **FEHB.** Piecework employees are excluded from FEHB coverage except for those with a work schedule that provides for full-time or part-time service with a regularly scheduled tour of duty. See 5 C.F.R. 890.102(c)(6).
A retired Federal employee may be rehired in Federal service as a reemployed annuitant. The retired employee’s annuity may continue to be paid upon reemployment, or may be terminated or suspended. Reemployment may result in an increase in the employee’s retirement and death benefits. Special provisions apply to annuitants reemployed by DoD on or after November 25, 2003, and to former members of Congress.

A. Employees Retired from Competitive Service


2. Treatment of Annuity Upon Reemployment. As a general rule, if a CSRS or FERS annuitant is reemployed, the annuity continues to be paid, but the annuity payment is offset from the reemployed annuitant’s salary. Certain exceptions apply which may result in the CSRS or FERS annuity being terminated or suspended upon reemployment. The Director of OPM may waive the reemployment provisions for CSRS or FERS annuitants on a case-by-case basis for a position where there is exceptional difficulty in recruiting or retaining a qualified employee.

   a. Termination of a Disability Annuity. A CSRS or FERS disability annuitant may be reemployed in a temporary or permanent position and given the same type of appointment that would be given to any other person appointed to the position. Reemployment may cause the disability annuity to terminate if OPM determines the annuitant has recovered or been restored to earning capacity prior to reemployment. Additionally, reemployment may terminate the annuity of a CSRS or FERS disability annuitant who was medically disqualified for continued membership in the National Guard.

   b. Termination of an Annuity Based on Involuntarily Separation. When involuntary separation such as for reduction-in-force and lack of funds is the basis for a CSRS annuitant’s retirement, and the new appointment is subject to retirement coverage, the annuity payment is terminated upon reemployment and retirement deductions shall be taken from the salary.

   c. Termination Upon Presidential Appointment or Election to Congress. When a CSRS annuitant receives a Presidential appointment subject to retirement deductions, or is elected as a member of Congress, payment of the annuity terminates upon reemployment.

   d. Suspension Upon Judicial Appointment. When a CSRS or FERS annuitant is appointed as a justice or a judge of the U.S., payment of the annuity is suspended.

   e. Suspension Upon Interim Appointment by Merit System
Protection Board (MSPB). When a CSRS or FERS annuitant receives an interim appointment under 5 U.S.C. § 7702 by the MSPB, payment of the annuity is suspended.

3. Reemployment of Law Enforcement Officers (LEOs), Firefighters and Air Traffic Controllers (ATCs). A retired law enforcement officer or firefighter mandatorily separated is generally barred from reemployment in a primary position involving law enforcement or firefighting duties after reaching age 57. However, he or she is not barred from reemployment in a secondary position or any other position. Similarly, a retired air traffic controller is generally barred from reemployment in the same position after reaching age 56. He or she is not barred from reemployment in any other position not covered by the special retirement provisions for air traffic controllers. The agency must withhold the required deductions from the reemployed annuitant’s pay (one-half percent higher than the regular deduction rate). See 5 U.S.C. § 8335 and 5 U.S.C. § 8425.

4. Supplemental Annuity or Redetermined Annuity. A reemployed annuitant may earn future benefits either in the form of a supplemental annuity or a redetermined annuity.

   a. Supplemental Annuity. A supplemental annuity is an annuity added to the reemployed annuitant’s present annuity. An employee who works as a reemployed annuitant on a full-time basis for at least 1 year, or on a part-time basis for a proportionately longer period, may be entitled to a supplemental annuity. For a reemployed annuitant who qualifies for a supplemental annuity, the SF 2806, Individual Retirement Record CSRS, or SF 3100, Individual Retirement Record FERS, typically prepared for a new employee, is prepared at the time of separation rather than at the time of appointment.

   b. Redetermined Annuity. A redetermined annuity is recomputed and takes the place of the employee’s present annuity. A reemployed annuitant who completes at least five years of actual continuous full-time service and/or part-time service that is equivalent may elect to have their annuity redetermined under the law in effect at the time of separation from reemployment, in lieu of a supplemental annuity.

   c. LEOs, Firefighters, and ATCs. The special retirement provisions for law enforcement officers, firefighters, and air traffic controllers do not apply to service from reemployment. Therefore, any service credit from reemployment that is used to calculate a supplemental or redetermined annuity is treated as regular service, even if the employee is reemployed in an approved LEO, firefighter, or ATC position.

B. Annuitants Reemployed by DoD on or after November 25, 2003. The Secretary of Defense was granted the authority to reemploy annuitants without a reduction in pay or of the annuity (see 5 U.S.C. § 9902). Instructions governing annuitants who are reappointed by DoD on or after November 25, 2003, are found in the DoDI 1400.25-V300, Employment of Federal Civilian Annuitants in the DoD. Generally, annuitants hired by DoD prior to November 25, 2003, are subject to salary offset unless an exception is approved by OPM or DoD. However, reemployed annuitants hired by DoD after November 25, 2003, may continue to receive their full annuity and salary upon appointment and shall not have their salary offset by their annuity
or further retirement deductions. An exception applies for certain discontinued service retirement (DSR) annuitants who are receiving annuities based on involuntary separation for reasons other than for cause based on misconduct or delinquency. A DSR annuitant hired by DoD after November 25, 2003, may elect retirement contributions and earn further retirement credit in lieu of receiving their full salary plus annuity. See CSRS/FERS Handbook *Chapter 44*.

C. Former Members of Congress

1. **Suspension of Annuity upon Reemployment.** The CSRS annuity of a retired Member of Congress is generally suspended when the annuitant becomes reemployed or accepts an appointment. See 5 U.S.C. § 8344(d). Contact OPM Retirement and Insurance Programs, Annuitant Services Division, Washington, DC 20415 for further guidance regarding reemployment of Members.

2. **Supplemental or Redetermined Annuities.** Members of Congress are not covered under the provisions for supplemental or redetermined annuities. The agency retirement counselor should contact OPM concerning the benefits for reemployed former Members.

100402. **Prorating Annuities for Appropriate Reductions of Wage and GS Salaries**

A. **General.** Upon reemployment, the HRO provides the SF 50, Notification of Personnel Action, data to the PRO as to the amount of annuity paid to a reemployed annuitant.

B. **Employees Retired from the Competitive Service.** A reemployed annuitant, who retains his or her annuity, shall have his or her salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The appropriate reduction and adjusted salary shall be determined as follows:

1. An annuitant reemployed on an annual pay basis shall have his or her per annum salary reduced by the amount of the annual annuity. The remainder of the salary is computed in amounts payable on a biweekly pay period basis. Payment for overtime worked is based on an annuitant’s full rate of basic pay before any reduction by the amount of their annuity.

2. An annuitant reemployed on an hourly pay basis shall have his or her daily or hourly rate of pay converted to the per annum equivalent. The per annum rate is reduced by the total amount of the annuity being received by the employee. The remainder converts to a per diem or per hour rate, as appropriate.
3. The PRO adjusts the reimbursement to OPM following increases in an annuity as provided in the CSRS and FERS Handbook and any OPM instructions issued with periodic cost-of-living adjustments.

C. Former Members of Congress. A former Member of Congress who is employed in an appointive position on an intermittent service basis, and who retains his or her annuity, shall have his or her salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The amount of annuity allocable to each pay period shall be processed as a payroll deduction rather than as a reduction in pay period earnings, as is the case with reemployed competitive service annuitants. Therefore, annuities withheld shall not reduce earnings for tax and other purposes. Annuities withheld in the case of former Members of Congress shall be remitted to OPM.

100403. Processing

Retirement deductions are optional for CSRS reemployed annuitants, and there is no requirement for a matching government contribution. Retirement deductions are required for FERS reemployed annuitants, as are government contributions. These deductions are computed on the reemployed annuitant’s basic pay before any offset due to receipt of an annuity. Deductions for Medicare (CSRS employees) or Social Security/Medicare (FERS employees) are computed on the amount remaining after subtracting the annuity offset, in accordance with Social Security Administration guidance. The PRO computes Federal, state, and local taxes on the amount remaining after subtracting the annuity offset. A reemployed annuitant may not be credited with sick leave that was reported to OPM for use in the calculation of the employee’s annuity. Sick leave used in the annuity computation is charged against an employee's sick leave account and is considered used. The sick leave may not thereafter be used, transferred, or recredited. See 5 C.F.R. 630.407.

100404. Computation of Lump-Sum Leave Pay

Under the provisions of 5 U.S.C. § 8344, the lump-sum payment for unused annual leave payable to a reemployed annuitant upon separation will be computed on the basis of the employee’s wage or salary rate fixed for his or her position or occupation without reduction for the amount of annuity received by the employee. This includes reemployed annuitants who are retired from the competitive service or who are former Members of Congress.

1005 DECEASED EMPLOYEES

100501. General

Procedures governing the settlement of accounts of deceased civilian employees are set in 5 U.S.C. § 5581-5583 and 5 C.F.R. 178.201-208. An employee may designate a beneficiary or beneficiaries to receive his or her unpaid compensation using an SF 1152, Designation of Beneficiary for Unpaid Compensation of Deceased Civilian Employee. If no beneficiary has been designated by the employee, payment is made pursuant to the order of precedence set out in 5 U.S.C. § 5582(b). Deceased civilian employees also include former employees who die after
separation from the employing installation, but prior to receiving final pay and allowances. The procedures do not apply to the settlement of accounts for deceased Members of Congress or to the employees of certain Federal banks. For death gratuity payments, refer to paragraph 100509.

100502. Unpaid Compensation

The settlement of a deceased employee’s account includes payment of any unpaid compensation due the employee in the form of pay, allowances, or other amounts due at the time of death including, but not limited to:

A. Current salary (including any retroactive salary), including cost-of-living allowances, overtime and premium pay;
B. Unclaimed or unnegotiated checks;
C. Cash awards;
D. Foreign and non-foreign area differentials and allowances;
E. Lump-sum annual leave payment;
F. Travel reimbursement; or
G. Severance pay.

100503. Payment of Unpaid Compensation due a Deceased Employee

When the HRO is notified of the death of an employee, the HRO forwards a copy of the employee’s SF 1152 (if available) and all SF 1153s, Claim for Unpaid Compensation of Deceased Civilian Employee, submitted by claimants to the PRO. Claimants must provide supporting documentation as requested by the PRO. Upon notice of the death of a civilian employee, the PRO prepares an SF 1154, Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee, to permit prompt payment of the amounts due. If undisputed, the unpaid compensation due to a deceased employee may be paid directly by the agency to the designated beneficiary/beneficiaries or, if none, to the person or persons eligible for payment under the order of precedence set out in 5 U.S.C. § 5582 and 5 C.F.R. 178.204. Disputed claims for unpaid compensation due to a deceased employee are submitted to the OPM Office of Merit Systems Oversight and Effectiveness (OMSOE) for settlement.

A. Undisputed Claims for Unpaid Compensation. Direct payment is permitted to claimants who are legally entitled to an employee’s unpaid compensation. When paying more than one beneficiary, the PRO applies percentages due each beneficiary as specified by the deceased employee on the SF 1152. If the SF 1152 does not specify percentages, the total amount of unpaid compensation should be divided equally among the eligible claimants. The SF 1152 must be signed by the employee and filed with the employee’s employing activity prior to his or her death. Legal claimants are determined based on the following order of precedence:
1. First, to the beneficiary or beneficiaries designated by the employee in writing (SF 1152) received in the employing agency before his or her death.

2. Second, if there is no designated beneficiary, to surviving spouse of the employee.

3. Third, if none of the above, to the child or children of the employee, and descendants of deceased children by representation.

4. Forth, if none of the above, to the parents or surviving parent of the employee.

5. Fifth, if none of the above, to the duly appointed legal representative of the estate of the employee.

6. Sixth, if none of the above, to the person or persons entitled under the laws of the domicile of the employee at the time of his or her death.

B. Disputed Claims. Disputed claims include those claims where doubt exists as to the amount or validity of the claim or as to the person properly entitled to payment. Disputed claims may also include unnegotiated or undelivered checks for money due to the decedent. Disputed claims are submitted to OMSOE in accordance with 5 C.F.R. 178.102 and 5 C.F.R. 178.207 either by the claimant or by the agency on the claimant’s behalf. After the OMSOE settles the dispute and certifies the SF 1154, the form is returned to PRO for payment. Any disputed claim being submitted to OMSOE should first be coordinated through the Defense Finance and Accounting Service (DFAS) Office of General Counsel. To submit a disputed claim to OMSOE for settlement, the PRO must take the following action:

1. Write a letter of transmittal to the office identified in Chapter 8 which includes the following:

   a. A statement regarding designation of beneficiary;

   b. A statement explaining why referral to OMSOE is recommended. As appropriate, cite unusual circumstances surrounding the death of the employee or eligibility of the claimant(s) to receive the unpaid compensation;

   c. A statement with the amount of the claim and any indebtedness; and

   d. A statement that the claim must be settled by OMSOE before it can be paid.
2. Attach the following to the letter of transmittal:

   a. The written claim in the form and manner prescribed by 5 C.F.R. 178.102 and 178.207, including the agency’s administrative report;

   b. The original SF 1154 and sub-vouchers with the statement “Payment after OMSOE Settlement.” in the block for the name of the payee; and

   c. The certified copy of the leave record and time and attendance report for the period covered by the voucher.

100504. Computation of Amount Due

The PRO computes the employee’s pay earned through the date of death and any lump-sum payment for unused annual leave due the employee. The PRO must post the payment on a regular biweekly payroll disbursement voucher or a special payroll voucher with a charge to the applicable appropriation and other applicable accounting information. The following instructions govern deductions from the unpaid salary.

A. Retirement. If the employee was covered by a retirement system, deduct the retirement contribution from the unpaid salary earned through the date of death.

B. Social Security and Medicare Portions of the Federal Insurance Contributions Act (FICA) Tax. If the employee was subject to Social Security/Medicare, deduct for Social Security/Medicare tax from unpaid salary paid in the same calendar year as the employee’s death. See Internal Revenue Service (IRS) Circular E. Gross wages paid in the calendar year through the date of death, subject to the statutory limitation, are subject to Social Security/Medicare. The PRO must withhold Social Security/Medicare taxes from wages paid to a beneficiary or to the estate of the deceased employee in the same calendar year that the employee died. If the PRO makes a payment after the calendar year of employee’s death, wages are exempt from Social Security/Medicare taxes.

C. Federal Income Tax. A deceased employee’s unpaid wages are not subject to federal income tax withholding in either the calendar year in which the employee died or afterward. The PRO does not deduct Federal income tax withholding from unpaid salary earned by an employee through the date of death. See IRS Circular E.

D. State Tax. The PRO does not deduct withholding for state, territory, or District of Columbia income tax from the unpaid salary and lump-sum leave earned by an employee through the date of death.

E. Local Tax. The PRO does not deduct withholding for local taxes from the unpaid salary and lump-sum leave earned by an employee through the date of death.

F. FEHB. If a survivor is eligible to continue enrollment, withholding for premiums are made using the daily proration rule according to Chapter 4. If there is no eligible
survivor, or the employee maintained self-only enrollment, a full premium deduction is withheld for the pay period during which the employee died. See Chapter 4.

G. **FEGLI.** If the employee was subject to FEGLI, the PRO must withhold deductions for premiums for the periods for which pay is due, including the pay period during which death occurred.

H. **Thrift Savings Plan (TSP).** The PRO must make deductions for TSP contributions and any TSP loans outstanding.

I. **Allotments.** The PRO does not make allotment deductions for the pay period in which death occurred.

J. **Other Deductions.** The PRO must make any other required deductions, such as for any indebtedness owed by the employee.

100505. **Lump-sum Payment for Accrued Leave**

The PRO does not deduct retirement, federal, state, or local income tax, health benefits, or life insurance from the lump-sum payment.

100506. **Preparation of Tax Statement**

A. **Decedent Form W-2 (Wage and Tax Statement).** Gross amounts of final pay for the pay period of death plus any lump-sum annual leave payments must be reported as Social Security wages (box 3) and Medicare wages (box 5) only if these amounts are paid to the estate or beneficiary in the same year that the death of the employee occurs. The Social Security and Medicare taxes withheld are reported in boxes 4 and 6. These amounts are not included as wages, tips, or other compensation in box 1. The PRO does not report payments made after the year of death on a Form W-2 and will not withhold Social Security and Medicare taxes.

B. **Miscellaneous Income.** The PRO will take the following actions:

1. Prepare a **Form 1099-MISC, Miscellaneous Income,** for amounts payable to the decedent’s estate or to beneficiary(s) whether the PRO makes the payment in the year of death or after the year of death;

2. Report the payment in box 3, “Other income”;

3. Include the gross amounts of final pay for the pay period of death, lump-sum annual leave, and other moneys such as travel reimbursements; and

4. Enter the name and Social Security Number (SSN) of the individual if the recipient of the payment is an individual beneficiary. Enter the name and Federal tax identification number for the estate if the recipient of the payment is the Employee’s estate.

100507. **Transfer of Funds**
The unpaid compensation is placed in the deposit fund suspense account X6276, Other Federal Payroll Withholding, Allotments, pending receipt of a claim for the compensation. If a claim has not been received within 1 year from the date on which the amount was placed in the deposit fund suspense account, transfer the funds.

A. Any unpaid compensation that meets the following criteria is transferred into fund account 20X6133, Payment of Unclaimed Moneys:

1. The amount is $25 or more;
2. A refund, upon claim, would be absolutely justified;
3. There is no doubt as to legal ownership of the funds; and
4. A named individual can be identified with the item.

Subsequent payment of claims from this account is made by preparing an SF 1154 citing account 20X6133 and the account of the disbursing officer that supports the consolidated PRO.

B. The PRO must transfer to miscellaneous receipt account –1060, Forfeitures of Unclaimed Money and Property, if the claim for unpaid compensation is less than $25 or amounts greater than $25 do not meet all the provisions for account 20X6133. Subsequent payment of claims from this account is made by preparing an SF 1154 citing account 20X1807, Refund of Money Erroneously Received and Recovered, and the account of the disbursing officer who supports the consolidated PRO. See Department of Treasury Financial Manual, Chapter 3000.

100508. Life Insurance Status for Employee Death Cases within the Department

When an employee dies, the SF 2821, Agency Certification of Insurance Status, is processed according to the guidance in the FEGLI Handbook. The same official cannot make the dual certifications of personnel and payroll record data on the SF 2821. To reduce the time survivors or beneficiaries must wait for FEGLI benefit payments; expedite the processing of the SF 2821.

A. For Collocated HROs and PROs. Upon notification of an employee’s death, HRO shall complete and forward the SF 2821 to the servicing PRO for certification. The PRO certification will be completed, and all copies of the SF 2821 returned to the HRO within 24 hours of receipt.

B. For HROs Geographically Separated from PROs. Upon notification of an employee’s death, HRO shall complete and mail the SF 2821 to the PRO for certification. The PROs certification will be completed within 24 hours of receipt, and all copies of the completed SF 2821 will be express mailed back to the HRO.

*100509. Death Gratuity Payments for Federal Employees
A. $10,000 Death Gratuity. Public Law (P.L.) 104-208 authorizes agencies to pay a death gratuity payment not to exceed $10,000 to the personal representative of any federal employee who dies from an injury sustained in the performance of duty on or after August 2, 1990. The gratuity is also payable if the employee died after separating from service and the death was a direct result of injuries received in the line of duty on or after August 2, 1990. The following information should be considered when making the $10,000 death gratuity payment:

1. The gratuity payment, when combined with certain other payments, may not exceed $10,000. Other payments include the $200 payable under 5 U.S.C. § 8133(f) for reimbursement of the cost of termination of the decedent’s status as an employee of the U.S. and up to $800 payable under 5 U.S.C. § 8134(a) for funeral and burial expenses. Pursuant to DCPAS guidance, the death gratuity is payable only if the death claim is approved by OWCP.

2. The gratuity payment is not considered wages for the purpose of Social Security, Medicare, or federal, state, or local tax withholding. A Form 1099-R, “Distributions for Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.” must be prepared by the PRO and forwarded to the personal representative.

* B. Death Gratuity under 5 U.S.C. § 9904. Under the provisions of 5 U.S.C § 9904, DoD civilian employees who are assigned to certain activities outside the United States determined to be hazardous to life or health or that involve specialized security requirements may be eligible for benefits comparable to those provided under 22 U.S.C. § 3973 by the Secretary of State to members of the Foreign Services. Pursuant to 22 U.S.C. § 3973 a death gratuity is paid when an employee dies as a result of injuries received in the performance of duties. The gratuity is equal an amount equal to level II of the Executive Schedule under section 5 U.S.C. 5313, at the time of an employee's death. This gratuity payment shall be made as follows, regardless of other beneficiaries designated to receive any other benefits:

1. First, to the widow or widower, as defined under 5 U.S.C. § 8101(6) and (11).

2. Second, to the child, or children as defined under 5 U.S.C. § 8101(9), in equal shares, if there is no widow or widower.

3. Third, to the dependent parent, or dependent parents, as defined under 5 U.S.C. § 8101(7), in equal shares, if there is no widow, widower, or child.

If there are no survivors as indicated subparagraph 100509.B., the death gratuity shall not be paid. For additional information, see DoD DCPAS Memorandum, December 27, 2011, Continuation of Certain Benefits, Allowances and Gratuities.

C. Death Gratuity for Service with Armed Forces in a Contingency Operation. Title 5 U.S.C. § 8102a provides a death gratuity of up to $100,000 to the survivors of a federal employee who dies from injuries received in connection with services performed with an Armed Force in a contingency operation. The gratuity is reduced by the amount of any death
gratuity payments that have been paid under any other law of the U.S. based on the same death. See 20 C.F.R. 10.916. OWCP is responsible for administering and adjudicating all claims under this authority. For additional information, see 20 C.F.R. 10. Subpart J. See also DOL Death Gratuity Page.

1006  EXPERTS AND CONSULTANTS

100601.  General

An agency may make excepted service appointments to hire experts and consultants. Agencies may appoint experts and consultants on a temporary basis (i.e., not to exceed 1 year) or an intermittent basis (i.e., without a regularly scheduled tour of duty) under 5 U.S.C. § 3109 and 5 C.F.R. 304. PRO pays experts and consultants based on the SF 50 data received from the HRO. See also the Director of Administration and Management, Administrative Instruction Number 2, Employment of Experts and Consultants. Experts and consultants appointed under 5 U.S.C. 3109 are considered to be Federal civil service employees under 5 U.S.C. 2105. See 5 C.F.R. 304.101. Unless expressly provided otherwise, they are covered by laws applicable to Federal employees, including pay and leave requirements.

100602.  Setting Pay on Initial Appointment

Determining the appropriate rate of basic pay for experts and consultants, including a decision to pay no salary, is made on an individual case basis. The rate of basic pay may be an hourly or daily rate. Normally, pay is set equal to a GS rate in grades GS-13 through GS-15. Unless specifically authorized by an appropriation or other statute, the highest payable rate is the daily rate for GS-15, step 10, or if paid on a biweekly basis, the biweekly rate for GS-15, step 10 (both excluding locality pay or any other additional pay). See 5 C.F.R. 304.105 for daily and biweekly basic pay limitations.

100603.  Overtime and Premium Pay

A.  Overtime. Experts and consultants paid on a daily rate basis are not normally entitled to overtime pay under 5 U.S.C. § 5542, regardless of the number of hours worked. Nevertheless, the designation of a regular tour of duty in the appointment documents does not necessarily preclude receipt of compensation at the agreed daily rate for work performed outside of that tour of duty. For example, if such an employee works 6 days a week, the 6th day is paid at the straight time rate rather than the overtime rate. Experts and consultants employed on a daily basis may be paid the rate of basic compensation for work on days outside the prescribed tour of duty, provided the compensation within any biweekly pay period does not exceed the rate of basic pay for Level V of the Executive Schedule. Experts and consultants who are nonexempt under the Fair Labor Standards Act (FLSA) may be entitled to overtime pay. Overtime must be authorized and approved in advance by an appropriate official.

B.  Holiday Pay. Experts and consultants with a regularly scheduled tour of duty (i.e., not intermittent) are entitled to pay for any holiday occurring on a workday on which they perform no work, provided that workday is part of the basic workweek. Those employed on an intermittent basis do not earn leave and are not entitled to paid holidays. See 5 C.F.R. 304.106.
100604. Salary Increases

Experts and consultants are not automatically entitled to an equivalent pay increase when the GS is adjusted under 5 U.S.C. § 5303 unless noted in an appointment document. However, agencies may adjust expert or consultant pay on an ad hoc basis, subject to the limitations of 5 C.F.R. 304.105. The SF 50 data from the HRO notifies the PRO of the proper salary increase.

100605. Exception from Dual Pay Restriction

Generally, an individual is prohibited by statute from receiving basic pay from more than one position for more than an aggregate of 40 hours of work in 1 calendar week. An exception to this restriction is provided for an individual who earns pay for service on an intermittent basis from more than one consultant or expert position, provided the pay is not received for the same hours of the same day. See 5 U.S.C § 5533(d)(1).

100606. Annual and Sick Leave

A. An expert, consultant, or other employee who serves on an intermittent or other basis without a prearranged regular tour of duty does not earn annual and sick leave. See 5 U.S.C. § 6301(2)(B)(ii).

B. An expert or consultant who serves on a regularly prescribed tour of duty, full-time or part-time, earns annual and sick leave. HRO shall determine the regular tour of duty in advance and annotate the appointment document specifically to show whether the employee earns leave. The accrual rate is the same as for other full-time and part-time federal employees as discussed in 5 C.F.R. 630. See 5 C.F.R. 304.106.

100607. Retirement

Experts and consultants are appointed on a temporary or an intermittent basis and therefore, they are not covered under the federal retirement systems. See 5 C.F.R. 831.201 and 842.105. However, coverage is continued for an employee who is currently covered by a Federal retirement system and who is later appointed as an intermittent or temporary (full-time or part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less.

100608. FEGLI

Experts and consultants are ineligible for FEGLI due to their temporary or intermittent appointment status. However, coverage is continued if an employee currently covered by FEGLI is appointed as an intermittent or temporary appointment (full-time or part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less. To continue life insurance coverage for an intermittent employee, there must be an expectation that the employee will return to the previous position on a full-time basis.

100609. FEHB
Employees in an expert or consultant position who are expected to work 130 hours per month for at least 90 days will be eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 C.F.R. 890.102 and BAL 14-210.

1007  LEGALLY INCOMPETENT EMPLOYEES

100701.  General

The HRO must notify the PRO in writing when an employee is found to be legally incompetent. The HRO sends the PRO the SF 50 data showing the employee’s separation because of mental incompetence. The agency may also place the employee on an extended leave of absence by means of an SF 50 action. The PRO makes no payments to the employee once HRO informs the PRO that the employee is declared legally incompetent. A claim must be filed on the employee’s behalf before the pay account can be settled. No specific form is required to file a claim for amounts due mentally incompetent or former employees. The claim must be filed in writing over the signature of the person claiming on behalf of the legally incompetent employee. If the claim is from a claimant other than a guardian or committee, the servicing PRO’s Office of General Counsel should be consulted prior to making payment.

A.  Guardian or Committee. The initial claim filed by the guardian or committee of the estate of a legally incompetent employee shall be accompanied by a certificate of the court showing the appointment and qualification of the claimant as guardian or committee. After making the first payment, the PRO may make subsequent recurring payments to the same payee without further claim as long as the appointment as guardian or committee remains in effect and the matter is otherwise free from doubt. Each subsequent payment voucher must include a citation to the voucher upon which the initial claim was paid.

B.  Other than Guardian or Committee. If a guardian or committee has not been appointed and will not be appointed, a sworn statement that includes the following information to support the initial claim:

1. The claimant’s relationship to the legally incompetent employee, if any;

2. The name and address of the person having care and custody of the legally incompetent employee;

3. A remark that any amount paid to the claimant shall be applied only to the use and benefit of the legally incompetent employee; and

4. A remark that no appointment of a guardian or committee is contemplated.

100702.  Claim Action
Upon receipt of a claim, consider the proposed date of separation to determine whether compensation is due currently or a payroll voucher for final settlement should be processed. To avoid invalid payments when the employee is on extended paid leave, the HRO must monitor the case for any changes in the employee’s condition and immediately advise the PRO.

100703. Processing Claims

The PRO may pay claims for unpaid amounts owed to legally incompetent employees unless the PRO doubts the amount or validity of the claim or it doubts the claimant’s entitlement to the payment.

A. Any unclaimed, undelivered, or uncashed salary checks drawn in favor of the employee must be returned to the disbursing officer for cancellation and credit to the appropriation or fund originally charged.

B. The PRO must post the net amount of any returned check to the appropriate pay record. Adjustment of the items originally deducted from the gross pay is not required if the proceeds of the check are due the employee. If the proceeds of the check are not due, the PRO must prepare an SF 1098, Schedule of Canceled or Undelivered Checks, to cancel the check and must adjust entries for the deductions from gross pay.

C. The amount to be paid to the claimant must be computed and must include any further payments due to the employee for each pay period in the regular payroll cycle (for example, payments due when the employee is carried on sick leave). The PRO must take the following actions:

1. Prepare a statement for all arrears of pay due. Include the net amount of any uncashed checks if the proceeds are due.

2. Enter the following on the payroll voucher such as on a Department of Defense (DD) Form 592, Payroll for Personal Services, Certification, and Summary under “OTHER:”

   a. The term “Mentally Incompetent Employee”;

   b. The name of the proper claimant and capacity in which serving, followed by the name and SSN of the mentally incompetent employee;

   c. The citation of the designated deposit fund account; and

   d. The amount the claimant is due.

3. Upon receipt of a properly executed claim supported by a court certificate showing guardianship or sworn statement from the claimant, the PRO shall disburse funds from the deposit fund account designated on the payroll voucher to the claimant. See
Volume 5, Chapter 11. The claimant’s name and address must appear on the voucher along with the employee’s name, SSN, and the pay period. The voucher is forwarded to the disbursing officer for payment.

4. Forward a copy of the processed voucher to the claimant. A copy should also be filed in the employee’s file.

5. Include in the final payment any lump-sum payment for annual leave and any other salary amount to which the employee is entitled.

6. Record the official date that the employee is declared legally incompetent in the payroll records.

100704. Processing Doubtful Claims for OPM Certification

Doubtful claims are submitted to OPM following these procedures:

A. Prepare the voucher for the net amount due to a mentally incompetent employee per paragraph 100703. This voucher along with the required number of copies is sent to OPM. After OPM certifies the voucher, it will be returned to the submitting PRO for payment.

B. Enter “Local Payment After OPM Certification” on the face of the voucher. OPM adds the name and legal capacity of the claimant on the voucher.

C. Certify the voucher and attach the following:

1. A legal authorization of the claimant including any certificate of the court showing appointment and qualifications of the claimant;

2. A claim submitted by the claimant such as a letter from the guardian or administrator;

3. A statement of the doubtful aspects and the reason the PRO recommends referral of the claim to OPM; and

4. A certificate stating that the claim has not been paid and will not be paid until certified.

D. Retain a copy of the voucher and supporting documents in the employee’s file.

1008 Missing Persons, Captured or Interned

100801. General

Civilian personnel who are determined officially to be missing are entitled to continued
pay and allotments from their pay under the Missing Persons Act (5 U.S.C. § 5561-5568) and the Terrorism Compensation Act (5 U.S.C. § 5569). Missing status includes persons:

A. Missing;

B. Missing-in-action;

C. Interned in a foreign country;

D. Captured, beleaguered, or besieged by a hostile force; or

E. Detained in a foreign country against the employee’s will.

100802. Actions by the Payroll Office

A. Upon receipt of an official determination that a civilian employee is in a missing status, return any unclaimed or un-cashed checks to the disbursing area.

B. The PRO retains responsibility for the employee’s pay, leave, and retirement records.

C. The initiation, continuance, discontinuance, increase, decrease, suspension, or resumption of an allotment from the pay and allowances of an employee in a missing status, is authorized when that action is in the interests of the employee, the dependents, or the U.S. See 5 U.S.C. § 5563.

1. Allotments authorized by an employee before the missing status began normally continue for the period of absence.

2. The missing employee’s dependents may receive an allotment of the employee’s pay. Dependent payments cannot exceed the employee’s net pay. The needs of the dependents, the number of dependents and their relationship to the employee, however, should be considered when determining the payment amount. If possible, reserve a reasonable amount each pay period to ensure that the employee will have funds available upon return.

D. The pay and allowances of a missing employee in a captive status may be allotted to an interest bearing savings fund established by the Secretary of the Treasury. See 5 U.S.C. § 5569. Captive status means a missing status, which, as determined by the President, arises, because of a hostile action and is a result of the individual’s relationship with the government. All or any portion of the employee’s pay and allowances may be allotted to the extent that such pay and allowances are not subject to an allotment under 5 U.S.C. § 5563 as outlined in subparagraph 100802.C.

E. Maintain the pay account on a pay-period basis. Include normal deductions for retirement, FICA, federal and state income tax withholding, FEHB, and FEGLI in the totals for the regular payroll voucher.
F. Establish a special leave account to restore any annual leave forfeited by an employee while in a missing status after January 1, 1965.

100803. Termination of Absence

Employees should not be separated from Federal service while they are entitled to pay and allowances under the Missing Persons Act (see 5 U.S.C. § 5561-5568).

A. If an employee returns from a missing status, the PRO must voucher the balance withheld from the employee and furnish a list of allotments started and paid in the employee’s absence. The accounting classification must be charged to what was current when the pay accrued. The employee may initiate any allotment discontinuances or changes for any allotments that started or changed during the absence. The PRO will pay future salaries using normal payroll procedures.

B. If the employee returns from missing status, a statement of the special leave account balance must be furnished to his or her HRO. The employee must elect, in writing, to receive either a payment or credit for the leave. If the employee requests payment, the PRO must make the payment at the employee’s rate of pay in effect at the time of the forfeiture of the leave.

C. If the HRO receives an official notice of the employee’s death or presumed death, the PRO will take action as outlined in Section 1005.

D. If the employee returns from missing status, the agency must charge the pay adjustment or final settlement, including local allotment payments to dependents, to the employee’s appropriated fund account.

1009 AUTHORITY FOR TEMPORARY ASSIGNMENTS

The authority for temporary assignments of employees between executive agencies and State, local, and Indian Tribal Governments, institutions of higher education, and other eligible organizations is found in 5 U.S.C. § 3371-3376 and 5 C.F.R. 334. An employee’s pay and leave provisions will be included in the employee’s written assignment agreement as required by 5 C.F.R. 334.106.
1010 EMPLOYEES TRANSFERRED TO INTERNATIONAL ORGANIZATIONS

101001. General

An agency may detail or transfer an employee to any organization that the Department of State has designated as an International Organization (IO). See 5 U.S.C. § 3581-3584 and 5 C.F.R. 352, Subpart C. A detail or transfer may not exceed 5 years; however, this may be extended 3 additional years upon the approval of the head of the agency. An employee who is transferred is entitled to be reemployed in his or her former position, or one of like status, within 30 days of his or her application for reemployment.

101002. Computation of Deductions

Under 5 U.S.C. § 3582, an employee who transfers to an IO may elect to keep coverage for retirement, FEGLI, and FEHB. The agency continues to make the agency contributions to the funds, and the employee’s coverage continues as long as the employee’s share of the payments remains current.

A. The PRO computes the retirement and FEGLI on the rate of basic compensation the employee was receiving at the time of transfer. If these amounts are changed by law or regulation while an employee is serving with an IO, the amounts will be recomputed based on notification from the HRO and the employee and the IO will be notified (if applicable) of the effective date and new amount. For regulations on retirement and FEGLI, refer to 5 C.F.R. 352.309. When the SF 50 data is received showing a step increase, or a general pay increase, the amounts due are recomputed.

B. The PRO computes FEHB based on the cost of the plan of the employee’s choice. If the enrollment cost changes while the employee is serving with an IO, the PRO must recompute the amount based on notification from the HRO and notify the employee and the IO (if applicable) of the effective date and new amount.

101003. Payments from Transferred Employees

The HRO advises transferred employees to make payments for retirement, FEHB, and FEGLI promptly for each pay period. Payments are current if received within 3 months after the end of the pay period covered by the payment. See 5 C.F.R. 352.309(d). The PRO advises the HRO and carrier for FEHB of any delayed payments. If payments are not timely, coverage terminates on the last day of the pay period for which the required payment was timely, subject to a 31-day extension of FEGLI and FEHB as provided in Chapter 11.

101004. Accounting for Payments

A DD Form 1131, Cash Collection Voucher, is used to deposit amounts received from either the individual or the employing organization into a deposit fund established for such purposes. An SF 1080, Voucher for Transfers Between Appropriations and/or Funds, or SF 1081, Voucher and Schedule of Withdrawals and Credits, is used to transfer the employer’s contribution,
if required, from the appropriation which would have been charged for the employee’s pay to the proper deposit fund account. Total amounts (employee payments and government contributions) are included on the SF 2812A, Report of Withholdings and Contributions for Health Benefits by Enrollment Code, submissions to OPM through the Retirement and Insurance Transfer System (RITS). RITS calculates and tracks obligation due dates and payment timeliness. The PRO posts the total annual retirement costs paid by the employee to the employee’s SF 2806 or SF 3100; the “Remarks” section reflects the employee’s status. The IO keeps the SF 2806 or the SF 3100 for the entire term of employment, unless OPM asks for the form(s).

101005. Thrift Savings Plan (TSP)

An employee, who transfers to an IO, is not eligible to participate in the TSP while employed by the IO even if they elect to retain federal retirement coverage. However, upon reemployment, an employee who elected to retain federal retirement coverage while employed by the IO and has made all deposits required for such coverage may make contributions to the TSP which they missed as a result of the service with an IO, and receive make-up agency contributions, as provided under 5 C.F.R. 352.311(e).

101006. Leave Account

Employees who are transferred to an IO may elect to receive payment for accumulated annual leave or have it remain to their credit until they return to federal employment. Employees also may request payment at any time before reemployment. The HRO sets the date of separation to allow employees to use all accumulated annual leave that might otherwise be forfeited. The PRO prepares and delivers an extra copy of the SF 1150, Record of Leave Data, to the employee. Upon reemployment, the PRO uses a copy of the SF 1150 to recredit sick leave and annual leave, if applicable. If the employee is paid the balance of his or her leave and is reemployed within 6 months after transfer, he or she shall refund to the agency the amount of the lump-sum payment. See 5 U.S.C. § 3582 and Chapter 3.

101007. Equalization Allowances

Equalization allowance provisions that had been in Title 5, U.S.C. § 3582(b) were replaced by P.L. 105-277, Section 2504, with a requirement for agencies to provide an employee reemployed after transfer to an IO with the rate of basic pay to which the employee would have been entitled had the employee remained in the civil service. The equalization allowance had guaranteed payments to an employee who transferred to an IO in an amount no less than the amount the employee would have received had the employee been detailed to the IO.

101008. Retirement

An employee who transfers from a position covered by CSRS, CSRS-Offset, or FERS to a public IO may continue retirement coverage for up to 5 years of such service or up to 8 years if authorized by the Secretary of State. See CSRS and FERS Handbook, Chapter 12.
101101. General

Temporary and term appointments are used to fill positions when there is not a continuing need for the job to be filled. Employees occupying either category of appointment are not entitled to competitive status or reinstatement eligibility. Because temporary and term employees do not have status, they may not apply for permanent appointments while employed in these positions through merit promotion. See 5 C.F.R. Part 316.

101102. Temporary Employment

A. Appointments. Pursuant to 5 C.F.R. 316, Subpart D, an agency may make a temporary appointment to:

1. Fill a short-term position that is not expected to last more than 1 year;

2. Meet an employment need that is scheduled to be terminated within 1 year (or at most, 2 years) for reasons such as reorganization, abolishment, or contracting out of the function, anticipated reduction in funding, or the completion of a specific project or peak workload; or

3. Fill positions on a temporary basis when the positions are expected to be needed for placement of permanent employees who would otherwise be displaced from other parts of the organization.

B. Benefits. Temporary employees are eligible to earn annual and sick leave and are covered by Social Security and unemployment compensation, but do not receive the other benefits provided to career civil service employees. Employees in a temporary position who are expected to work 130 hours per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 C.F.R. 890.102 and BAL 14-210. Temporary employees are generally ineligible for coverage under FEGLI or the Federal employees' retirement systems.

101003. Term Employment

A. Appointments. An agency may make a term appointment for more than 1 year but not more than 4 years to positions where the need for an employee's services is not permanent. Agencies may extend term appointments up to the 4-year limit in increments as determined by the agency. See 5 C.F.R. 316, Subpart C.

B. Benefits. Term employees are eligible to earn annual leave and sick leave. Term employees are also eligible for coverage under FERS, FEHB, and FEGLI. Term employees can work full or part-time work schedules and are eligible for promotions and within-grade increases upon satisfying the required waiting period.

1012 EMPLOYEES WHOSE WHEREABOUTS ARE UNKNOWN
In the event an employee’s whereabouts are unknown and payment cannot be made to the employee, refer to Volume 5, Chapter 7 for guidance.

1013 AIR TRAFFIC CONTROLLERS (ATC)

101301. General

ATCs are employees in an ATC facility (i.e., tower, ground-controlled approach, and approach control), actively engaged in the separation and control of air traffic or in providing preflight, in-flight, or airport advisory service to aircraft operations, or the immediate supervisor of any such employee. See DoDI 1400.25-V331, Civilian Air Traffic Controllers.

101302. Overtime

All overtime work scheduled in advance of the administrative workweek on a day containing part of an ATC’s basic 40-hour workweek must be compensated under 5 C.F.R. 550.111.

101303. Premium Pay

Differential pay is authorized for certain DoD employees. The Secretary of Defense has authorized five percent ATC premium pay under 5 U.S.C. § 5546a(a)(1). The payment of the premium is mandatory for Defense ATCs who are in the GS-2152 occupational series and occupy a position no lower than GS-9 at air traffic control centers, terminal or flight service stations. The HRO provides this information to the PRO via an SF 50.

101304. Leave

Leave accruals are based on guidelines published in 5 C.F.R. part 630.

101305. Mandatory Separation

Generally, under 5 U.S.C. § 8335(a) for CSRS employees and 5 U.S.C. § 8425(a) for FERS employees, an ATC who is otherwise eligible for immediate retirement must be separated from the federal service on the last day of the month in which the employee becomes 56 years of age. However, if the ATC has been granted a waiver of the mandatory separation age based on exceptional skills and experience, an ATC may delay separation until the day he or she becomes age 61. Additionally, an ATC, who has received a waiver of the maximum entry age under 5 U.S.C. § 3307(b) may delay separation until the last day of the month he or she completes 20 years of service.
101306. Retirement

ATCs have unique retirement deduction percentages for CSRS and FERS coverage. OPM publishes the rates in the CSRS and FERS Handbook, *Chapter 30*.

1014 PERSONNEL ON LONG-TERM FULL-TIME TRAINING

101401. General

Long-term, full-time training is defined as a training period of 120 consecutive workdays or more. See *5 U.S.C. Chapter 41* and *5 C.F.R. 410*. Employees on long-term, full-time training are authorized payment of salary.

101402. Leave

If salary payments continue during the training period, annual and sick leave regulations apply. Leave is reported via the time and attendance reporting mechanism and is administered as specified for the following leave types:

A. **Annual Leave.** Personnel on long-term, full-time training shall continue to accrue annual leave. Ordinarily, an employee will be charged with annual leave during school vacation periods that fall on government workdays unless he or she returns to the work site or has made documented arrangements with his or her DoD point of contact to be actively involved in academic work. These documented arrangements should be accomplished well in advance of the vacation periods. Annual leave charges are reported to the PRO on the employee’s time and attendance report. See *OPM Training and Development Policy*.

B. **Sick Leave.** Personnel on long-term, full-time training continue to accrue sick leave. The agency should charge sick leave on the time and attendance report when the employee is unable to attend classes due to illness.

1015 EMERGENCY MEDICAL TECHNICIAN (EMT)

101501. General

This section applies to EMTs or paramedics who are not classified as firefighters.

101502. Tour of Duty

EMTs and paramedics work various schedules including the basic 40-hour workweek, compressed work schedules, and uncommon tours of duty. An uncommon tour of duty means an established tour of duty that exceeds 80 hours of work in a biweekly pay period. See *5 C.F.R. 630.201*. Schedules and changes to tours of duty for an EMT or paramedic working uncommon tours must be on file in the employing activity/timekeeper site. *Sleep and meal* time also must be documented. The EMT’s hourly rate is multiplied by 40 hours, and the base pay and
premium pay is based on this weekly rate regardless of the hours in the scheduled tour of duty for that week.

*101503. Overtime Computation

A. Standby Duty Pay

1. FLSA Nonexempt EMTs and paramedics are compensated for regularly scheduled overtime hours in excess of 40 hours in a week by the payment of annual premium pay for standby duty plus .5 times the employee’s hourly regular rate for all overtime hours worked. If an EMT performs an additional 24-hour shift during a pay period, and the shift is scheduled in advance of the workweek, standby duty pay covers all regularly scheduled overtime hours, but the employee is entitled to .5 times the employee’s hourly regular rate for all overtime hours worked. Sleep and meal periods during regularly scheduled tours of duty are hours of work for EMTs who receive annual premium pay for regularly scheduled standby duty. EMTs and paramedics are compensated for irregular or occasional hours of work in excess of 40 hours in a week by payment of the straight-time rate of pay for all irregular or occasional overtime hours of work plus .5 times the employee’s hourly regular rate of pay times the overtime hours. When an employee works an additional 24-hour shift, which is irregular or occasional overtime work, the “two-thirds rule” will apply. Up to 8 hours of sleep and meal time (from a shift of 24 hours or more) are excluded from irregular overtime hours providing all regulatory conditions under 5 CFR 551.432 are met.

2. FLSA exempt EMTs and paramedics are compensated for regularly scheduled overtime hours in excess of 40 hours in a week by the payment of annual premium pay for standby duty. If an EMT performs an additional 24-hour shift during a pay period and the shift is scheduled in advance of the workweek, standby duty pay covers all regularly scheduled overtime hours. When an employee works an additional 24-hour shift that is irregular or occasional overtime work, overtime is paid in accordance with 5 C.F.R. 550.113 or 5 C.F.R. 550.114. The “two-thirds rule” will apply providing all regulatory conditions under 5 CFR 550.112(m) are met.

*3. On-duty sleep and meal periods during regularly scheduled hours for which standby duty premium pay under 5 U.S.C. § 5545(c)(1) are payable may not be excluded from hours of work. See 5 C.F.R. 551.432(e).

B. Compressed Work Schedule. The customary FLSA standard of compensating an employee with overtime pay for all hours of work in excess of 8 hours in a day and 40 hours in a week does not apply to an employee covered by a compressed work schedule under 5 U.S.C. § 6128. For example: an EMT with a 12-hour day in their schedule will not be entitled to FLSA overtime until they work over the 12-hour schedule for the day.

101504. Charging Leave

One hour (or an appropriate fraction thereof) of leave shall be charged for each hour (or an appropriate fraction thereof) of absence from the uncommon tour of duty. For additional guidance on leave accruals for EMTs refer to DoDI 1400.25-V630, DoD Civilian Personnel Management
System: Leave, and 5 C.F.R. 630.210. When an employee takes 24 hours of leave, 8 hours of sleep and meal time for that employee are deducted from actual hours of work under FLSA. Sleep and meal time for days of partial leave must be documented on the time and attendance report so that actual hours of work are shown. Sleep and meal time scheduled during leave periods shall be added to total sleep and meal time so that total hours of actual work and total hours of sleep and meal time will be shown. For employees with uncommon tours of duty established under 5 C.F.R. 630.201 and 5 C.F.R. 630.210, employees may be charged leave for regularly scheduled overtime hours outside the 40-hour basic workweek. Thus, such employees may receive applicable premium pay and FLSA overtime pay during hours of paid leave.

101505. Accruing Leave

Employees on uncommon tours of duty accrue and use leave on the basis of that uncommon tour. Accrual rates for such employees are directly proportional to the standard leave accrual rates for employees on an 80-hour biweekly tour of duty. See 5 C.F.R. 630.210(a). The number of hours in the uncommon tour is multiplied by the accrual rate divided by 80 ((uncommon tour of duty hours) x (accrual rate/80) = uncommon accrual rate). See table in DoDI 1400.25-V630. Employees on uncommon tours of duty repeating a cycle of more than 1 biweekly pay period (e.g., a 3 biweekly pay period cycle) accrue leave based on the average hours in the biweekly tour. For example, an emergency medical technician on a tour of duty of 96 hours for 1 biweekly pay period and 120 hours for each of the following 2 biweekly pay periods works an average tour of 112 hours per pay period, and accrues leave based on a 112-hour tour of duty.

101506. Premium Pay

The HRO determines the amount of the premium pay for the irregular tour of duty and reports it on the SF 50. An EMT employed as an intermittent employee is not entitled to premium pay on an annual basis, nor is he or she entitled to paid leave. An EMT is paid under regular overtime rules. Refer to 5 C.F.R. 551 for additional guidance on pay administration for EMTs under the FLSA.

1016 FIREFIGHTERS

101601. General

Firefighter pay is governed under 5 U.S.C. § 5542(f), 5 U.S.C. § 5545b, and 5 C.F.R. 550, Subpart M. A firefighter is an employee classified in the GS-0081 Fire Protection occupational series, which includes line firefighters, supervisory firefighters and fire inspectors whose regular tour of duty averages at least 106 hours per biweekly pay period. Newly hired firefighters going through initial basic training with a 40-hour basic workweek are covered by the GS classification and pay system and classified in the GS-0099 General Student Trainee Series (as required by 5 C.F.R. 213.3202(b)). Uniform allowances may be authorized for firefighters, refer to Chapter 3.
101602. Regular Tour of Duty

The term “regular tour of duty” means a firefighter’s official work schedule as established by the employing agency on a regular recurring basis. The regular tour of duty may consist of a fixed number of hours each week or a fixed recurring cycle of work schedules in which the number of hours per week varies in a repeating pattern. The regular tour of duty includes only those overtime hours that are part of the fixed recurring work schedule. However, irregular hours are deemed included in a firefighter’s regular tour of duty if those hours are substituted for hours in the regular tour of duty for which leave without pay is taken, as provided in 5 C.F.R. 550.1303(d). There are generally two types of official work schedules for firefighters:

A. **24-Hour Shift Firefighters.** Most commonly, firefighters work a 72-hour workweek consisting of three 24-hour shifts. These shifts include periods of actual work and substantial periods of time during which firefighters are in a standby status. In standby status, firefighters are free to eat, sleep, and engage in personal activities, but are confined to the worksite and remain in a state of readiness to perform actual work as required.

B. **40-Hour Plus Firefighters.** Other firefighters, (most commonly supervisors) have a regular 40-hour workweek consisting of five 8-hour days in addition to regularly scheduled standby duty (e.g., an extra 16-hour standby shift).

101603. Uncommon Tour of Duty

An agency shall establish an uncommon tour of duty for each firefighter compensated under 5 C.F.R. part 550, Subpart M, for the purpose of leave use and accrual. The uncommon tour of duty shall correspond directly to the firefighter’s regular tour of duty so that each firefighter accrues and uses leave based on that tour. See 5 C.F.R. 630.210.

101604. Hourly Rate of Basic Pay

The firefighter’s regular tour of duty is used in determining the appropriate pay computation method. Firefighters are paid on an hourly rate basis. A firefighter’s daily, weekly, or biweekly rate of basic pay must be computed using the applicable hourly rates derived under 5 C.F.R. 550.1303(a) and (b). Premium pay caps apply to the additional nonovertime pay received by firefighters with schedules exceeding the basic 40-hour workweek. Nonovertime pay is considered as basic pay and is not subject to reduction, but is included in the aggregate pay when determining the overtime pay cap. See 5 C.F.R. 550.1305 and 5 C.F.R. 550.107.

A. **24-Hour Shift Firefighters.** For firefighters with a regular tour of duty that does not include a basic 40-hour workweek (firefighters whose schedules generally consist of 24-hour shifts with a significant amount of designated standby and sleep time), the hourly rate of basic pay is computed by dividing the applicable annual rate of basic pay by 2756 hours.

B. **Basic 40-Hour-Plus Firefighters.** For firefighters with a regular tour of duty that includes a basic 40-hour workweek plus additional nonovertime hours, the hourly rate of basic pay is computed by dividing the applicable annual rate of basic pay by:
1. 2087 hours, for hours within the basic 40-hour workweek (or an 80-hour biweekly pay period); and

2. 2756 hours, for any additional nonovertime hours.

C. Training. Firefighters are entitled to pay for their regular tour of duty during training. A firefighter should receive basic pay and overtime pay for the firefighter’s regular tour of duty in any week in which attendance at agency-sanctioned training reduces the hours in the firefighter’s regular tour of duty. This guidance does not pertain to student trainee employees in the GS-0099 series. A firefighter is not prohibited from receiving a higher amount of pay if he or she is entitled to that higher amount based on hours of actual work. See 5 C.F.R. 410.402(b)(6).

101605. Meal and Sleep Time

For firefighters compensated under 5 U.S.C. § 5545b, meal time and on-duty sleep time may not be excluded from hours of work.

101606. Overtime Computation

Under 5 U.S.C. § 5542, for firefighters compensated under 5 C.F.R. 550, Subpart M, overtime work means officially ordered or approved work in excess of 106 hours in a biweekly pay period, or in excess of 53 hours in an administrative workweek if the agency establishes a weekly basis for overtime pay computations. See 5 C.F.R. 550.111(g). Overtime pay is considered part of continuation of pay (COP) for firefighters. Overtime hourly rates of pay are calculated as follows:

A. FLSA-exempt (FLSA non-covered). For a firefighter who is exempt from FLSA, the overtime hourly rate is computed as provided in 5 C.F.R. 550.113(e). Generally, the overtime hourly rate is capped at 1-1/2 times the GS-10 minimum rate, but the rate may not fall below the firefighter’s own hourly rate of basic pay.

B. FLSA-nonexempt (FLSA covered). For a firefighter who is covered by nonexempt from the overtime provisions of FLSA, the overtime hourly rate of pay equals 1-1/2 times the firefighters hourly rate of basic pay for that particular firefighter as established under 5 C.F.R. 550.1303(a) or 1303(b)(2).

101607. Premium Pay

Except for overtime pay in accordance with paragraph 101606, a firefighter is barred from being paid any other premium pay including night pay, Sunday premium pay, holiday pay, and hazardous duty pay. Premium pay for overtime in the firefighter’s regular tour of duty covered by 5 U.S.C. § 5545b is subject to a biweekly limitation rather than an annual limitation. See 5 C.F.R. 550.107.

101608. Leave Accrual
The leave accrual rates for firefighters are established based on an uncommon tour of duty. See paragraph 101603. Leave accrual for firefighters is directly proportional based on the number of hours in the biweekly tour of duty and the accrual rate of the corresponding leave category to the standard leave accrual rates for employees who accrue and use leave on the basis of an 80-hour biweekly tour of duty. One hour or an appropriate fraction thereof of leave is charged for each hour or appropriate fraction thereof of absence from the uncommon tour of duty. See 5 C.F.R. 630.210(c).

101609. Mandatory Separation

A firefighter, who is otherwise eligible for immediate retirement under 5 U.S.C. § 8336(c) (CSRS) and 5 U.S.C. § 8412(d) (FERS), must be separated from the federal service on the last day of the month in which the employee becomes 57 years of age unless he or she has not yet completed 20 years of service. In that case, the employee shall be separated on the last day of the month in which he or she completes 20 years of service. See 5 U.S.C. § 8335(b) and 5 U.S.C. § 8425(b).

101610. Retirement

Firefighters have a unique retirement deduction percentage for CSRS and FERS employees. These rates are published by OPM in the CSRS and FERS Handbook, Chapter 30. Percentages of basic pay for withholding and contributions for FERS employees are described in 5 U.S.C. § 8422(a)(2)(B) and 5 U.S.C. § 8423(a)(1)(B). Percentages of basic pay for withholdings and contributions for CSRS employees are described in 5 U.S.C. § 8334(a). Additionally, a firefighter’s special retirement coverage provides for an enhanced annuity formula and reduced age/service requirements as follows:

A. CSRS Coverage. Under 5 U.S.C. § 8336(c) once an employee reaches 50 years of age and completes 20 years of service as a firefighter or law enforcement officer, or any combination of such service totaling at least 20 years, they are entitled to a special annuity computation as provided under 5 U.S.C. § 8339(d).

B. FERS Coverage. Under 5 U.S.C. § 8412(d), an employee is entitled to a special annuity computation as provided under 5 U.S.C. § 8415(d) after:

1. Completing 25 years of service as an LEO or a firefighter, or any combination of such service totaling at least 25 years; or

2. Reaching the age of 50 and completing 20 years of service as an LEO or firefighter, or any combination of such service totaling at least 20 years.
1017 JUDGES

101701. Administrative Law Judges (ALJs)

A. Authority. Under 5 U.S.C. § 3105, the Department may appoint ALJs for proceedings conducted in accordance with administrative procedures under 5 U.S.C. § 556-557. These employees may not perform duties inconsistent with their duties and responsibilities as administrative law judges.

B. Pay for ALJs. There are three levels of basic pay for ALJs (designated as AL-1, AL-2, and AL-3, respectively), and each ALJ is paid at one of the levels as established under 5 U.S.C. § 5372. The ALJ positions are (lowest to highest): AL-3, Rate A; AL-3, Rate B; AL-3, Rate C; AL-3, Rate D; AL-3, Rate E; AL-3, Rate F; AL-2; and AL-1. The minimum rate for an ALJ (AL-3, Rate A) is set at 65 percent of Level IV of the Executive Schedule. The maximum rate for an ALJ (AL-1) is set at 100 percent of Level IV of the Executive Schedule.

101702. Judges of the U.S. Court of Appeals for the Armed Forces

The U.S. Court of Appeals for the Armed Forces (formerly the U.S. Court of Military Appeals) is established under 10 U.S.C. § 941-946. See DoDI 1400.25-V805, Special Retirement and Survivor Benefits for Judges of the U.S. Court of Appeals for the Armed Forces. The President, with the advice and consent of the U.S. Senate, appoints the judges for a term of 15 years. The court, consisting of five judges, is located within the DoD for administrative purposes. Washington Headquarters Services (WHS) is the employing office for the judges. For pay purposes, the judges are civilian employees as defined in 5 CF.R. 213. The judges are entitled to the same salaries and travel allowances as are provided to the judges of the U.S. Courts of Appeals (GS Salary Table, Schedule 7, for Judicial Salaries). The maximum annual salary is that of Level I of the Executive Schedule.

A. Entitlements. Judges are entitled only to regular base pay. Judges are excluded from the leave provisions of 5 U.S.C. § 6301(2). As Federal judges under 5 U.S.C. § 5541(2)(i), they also are excluded from the provisions of premium pay under 5 U.S.C. Chapter 55, subchapter V.

B. Deductions

1. Judges under CSRS are required to contribute eight percent of basic pay for retirement. Judges under FERS have the same deduction rate as other FERS employees. See the CSRS and FERS Handbook, Chapter 30.

2. The FEGLI for the judges is based on Level II of the Executive Schedule.

3. Judges are subject to the Social Security tax wage base limit as published yearly by IRS. There is no wage base limit for Medicare tax, and all covered wages are subject to Medicare tax.

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C. Special Retirement and Survivor Benefits for Judges of the U.S. Court of Appeals for the Armed Forces. Upon becoming eligible for retirement, judges may elect to receive a retirement annuity from the DoD Military Retirement Fund (MRF) in lieu of an annuity under CSRS or FERS. See 10 U.S.C. § 945. Survivor and former spouse annuities may also be elected. The DFAS-Indianapolis Site serves as the “payroll office” for retiree and survivor entitlements. DFAS shall perform functions such as:

1. Maintaining individual retirement records of individuals who elect annuity benefits under 10 U.S.C. § 945;

2. Issuing annuity payments from moneys in the DoD MRF, including the collection of applicable federal and state income taxes, and collections of debts owed the U.S. Government;

3. Arranging with OPM for transfer of moneys, including interest payments authorized under 10 U.S.C. § 945(a)(3)(A), from the Civil Service Retirement and Disability Fund (CSRDF) to the DoD MRF;

4. Withholding, as appropriate, contributions from the annuity for payment of FEHB, FEGLI, making correct agency contributions, and transmitting these moneys to the CSRDF;

5. Readjusting the annuity payment when events change the retiree or survivor entitlements;

6. Accounting for retirement moneys received from OPM and disbursing to benefit recipients, insurance carriers, and federal and state tax entities; and

7. Ceasing annuity payment if the employee elects judiciary retirement benefits under 10 U.S.C. § 945(g).

D. Notifications. Judges in receipt of an annuity under 10 U.S.C. § 945 are responsible for notifying WHS of any dual compensation issues that may arise under 10 U.S.C. § 945(f) and/or their election of judicial retirement benefits under 10 U.S.C. § 945(g).

E. Senior Judges of the U.S. Court of Appeals for the Armed Forces. Under 10 U.S.C. § 942(e), a senior judge who formerly served on the Court of Appeals for the Armed Forces may perform judicial duties for the court. When performing duties, a senior judge is considered an employee or official of the government. A senior judge is paid for each day he or she performs judicial duties in an amount equal to that of a sitting judge. Payment for a senior judge’s service is made in lieu of any retired and annuity pay due the judge. However, a senior judge may continue to receive his or her retired and annuity pay if the senior judge performs non-judicial duties for the court and receives no pay other than per diem and travel expenses. See U.S. Court of Appeals for the Armed Forces Rules of Practice and Procedure.
1018 AUXILIARY CHAPLAINS AND WEST POINT MILITARY ACADEMY CHAPLAIN

101801. Auxiliary Chaplains

Civilian clergy may be assigned to perform essential religious services of the chapel program that are beyond the staffing capabilities of the commissioned officer Armed Forces chaplains. Auxiliary chaplains normally perform their services on military installations. To serve as auxiliary chaplains, civilian clergy must be ordained or accredited by a faith group recognized by the Armed Forces Chaplains Board. They must meet any additional qualifications required by the Armed Forces.

101802. Appointing and Paying Auxiliary Chaplains

A. Auxiliary chaplains may be appointed by the HRO on an intermittent basis. They are paid on a fee basis from the employing activity’s appropriated funds for civilian personnel such as Operation and Maintenance funds. The HRO may appoint auxiliary chaplains under the excepted service authority in 5 C.F.R. 213.3101.

B. Work Schedules. Auxiliary chaplains employed on an intermittent basis have no work schedule. They are paid for religious services performed.

C. Absence and Leave. There is no entitlement for leave.

D. Entitlements. The pay scale for auxiliary chaplains is determined by the employing activity’s HRO. Social Security, Medicare, federal and state income tax withholdings are made in accordance with the tax documents filed by the chaplain. Social Security, Medicare, federal and state income tax withholdings do not apply to chaplains under non-personal service contracts.

101803. West Point Military Academy Chaplain

Under 10 U.S.C. § 4337, the President may appoint a chaplain to serve at the Military Academy at West Point. The civilian chaplain is entitled to a monthly housing allowance, in the same amount as the basic allowance for housing (BAH) allowed to a lieutenant colonel and to fuel and light for quarters. However, because utility costs are already factored into the BAH rate, no separate allowance for fuel and light should be paid. The chaplain’s salary is taxable and is subject to the withholding of income, Social Security, and Medicare taxes. The BAH is not subject to the withholding of income taxes under 26 U.S.C. § 107 which excludes from a minister’s gross income the value of rental allowances he/she receives for a home. However, Social Security and Medicare taxes must be withheld from the BAH.
1019 SERVICE SECRETARIES

101901. General

Effective the pay period beginning November 30, 2003, 5 U.S.C. § 5504 was amended to allow the Cabinet Secretaries (e.g., the Secretary of Defense) and the Secretaries of the Military Departments to be paid on a biweekly basis.

101902. Time and Attendance

Time and attendance is not reported for Service Secretaries. Accrual or usage of annual and sick leave is not authorized. Military Department Secretaries are not eligible for premium pay.

1020 ADDITIONAL PAY FOR CERTAIN HEALTHCARE PROFESSIONALS

102001. General

OPM has delegated to DoD the discretionary use of certain Title 38 provisions that are primarily available to the Department of Veterans Affairs (VA). If DoD uses one of these authorities in the delegation agreement, the comparable authority in Title 5 is waived. The following Title 38 provisions as provided in 5 U.S.C. § 5371 have been delegated:

A. Special Salary Rate Authority (38 U.S.C. § 7455(a)(2)(A) and (B), (b), (c), and (d));

B. Baylor Plan and Alternate Work Schedules (38 U.S.C. § 7456 and 7456A);

C. Premium Pay (38 U.S.C. § 7454 and 38 U.S.C. § 7456(a) and (b));

D. Authority to Establish Qualifications (38 U.S.C. § 7402(a), (b), (d), and (f));

E. Qualification-based Grading System (38 U.S.C. § 7403(a), (b)(4), (c), (e), and (f)(1));

F. Head Nurse Pay and Nurse Executive Special Pay (38 U.S.C. § 7452(a)(2) and (g));

G. Hours of Employment (38 U.S.C. § 7421(a));

H. Pay for Physicians and Dentists (38 U.S.C. § 7431(a), (b), (c), (d)(1)-(5), (e)(2)-(4), (f) and (h); 38 U.S.C. § 7432 and 7433(a));

I. Nurse Locality Pay System (38 U.S.C. § 7451(a)), (b), (c), (d), (e), and (f)); and
J. Special Incentive Pay for Pharmacist Executives (**38 U.S.C 7410 (b)**).

102002. Premium Pay

The authority to compensate certain DoD healthcare professionals with additional pay is used to recruit and retain qualified employees in specific medical fields. For additional guidance, see **DoDI 1400.25-V540**, Pay Pursuant to Title 38--Additional Pay for Certain Healthcare Professionals.

102003. Baylor Plan Nurses

Baylor Plan nurses work at DoD Health facilities and are hired to work a “Baylor workweek” consisting of two regularly-scheduled 12-hour tours of duty. The tours are worked entirely between the last day and the first day of the administrative workweek (Friday midnight to Sunday midnight) authorized under 38 U.S.C. § 7456. The Baylor workweek is considered to be a full 40-hour workweek for pay and leave accrual purposes. For additional guidance on the Baylor Plan nurses see **DoDI 1400.25-V541**, Pay Pursuant to Title 38--Special Rules for Nurses Pursuant to the Baylor Plan.

102004. On-Call Employees

Health care professionals are eligible to receive on-call pay when assigned to a work unit that has been officially designated as requiring employees to be on-call. On-call pay is a premium paid to certain professionals for working under circumstances or conditions authorized by **38 U.S.C. § 7457**. The employee must be officially scheduled to be on-call outside of his or her regular duty hours. An employee, who is excused from regular duty on a holiday, or “in lieu of” a holiday, may be scheduled to be on-call and receive on-call pay.

102005. Physicians and Dentists Pay Plan (PDPP).

A. General. The **DoDI 1400.25-V543**, DoD Civilian Personnel Management System: Pay Plan for DoD Civilian Physicians and Dentists Covered by the General Schedule, establishes policy and provides guidance to establish the PDPPs for eligible DoD civilian physicians and dentists who:

1. Work full-time or part-time with tours of at least 20 hours per pay period at grade GS-15 equivalent or below, and

2. Provide direct patient care and services.

B. Pay. Every 2 years, the VA publishes the minimum and maximum amounts of annual pay for the PDPP in the Federal Register. Under the PDPP, a physician or dentist’s annual pay is the sum of base pay plus market pay. Base pay is the GS rate for the physician or dentist before any deductions and without additional pay of any kind. Market pay reflects the recruitment and retention needs for the specialty or assignment of a particular physician or dentist.
Annual pay is basic pay for all purposes, including the computation of retirement benefits, lump-sum annual leave payments, life insurance, TSP, and other benefits. See 38 U.S.C. § 7431(f).

C. Pay Limitation. Section 7431(e) of Title 38 provides that in no instance should the total amount of compensation paid in any year to a physician or dentist under Title 38 exceed the salary of the President of the United States as in effect on the last day of that calendar year. Section 7431 does not allow pay over the cap to be deferred and paid the next calendar year. Payments that exceed the salary of the President may not be made at any time. For further information and a discussion of limitations on market pay, see DoDI 1400.25-V543 and Chapter 3.

1021 LAW ENFORCEMENT OFFICERS (LEOs)

102101. General

LEOs as defined by 5 U.S.C. § 8331(20), are employees whose primary responsibility is the investigation, apprehension, or detention of individuals suspected or convicted of offenses against the U.S.

102102. Premium Pay

The majority of LEOs are covered by the standard premium pay provisions established in 5 U.S.C. Chapter 55, subchapter V (including provisions that reflect overtime pay entitlements under FLSA for covered nonexempt employees). Premium pay with specific implications for LEOs includes:

A. Availability Pay. LEOs, as defined by 5 U.S.C. § 8331(20) and 5 C.F.R. 550.103, are authorized to receive premium pay in the form of availability pay in accordance with 5 U.S.C. § 5545a and 5 C.F.R. 550.185. Availability pay was established to compensate the employee for unscheduled duty in excess of a 40-hour workweek based on the needs of the employing agency. An exception under 5 C.F.R. 550.181(b) allows any Office of Inspector General employing less than five investigators to elect not to cover their employees under the provisions of 5 U.S.C. § 5545a. Availability pay recipients are not covered by FLSA. Availability pay is subject to a biweekly limitation under 5 C.F.R. 550.107. Under 5 C.F.R. 550.186, LEOs receiving availability pay are not entitled to other types of premium pay based on unscheduled duty hours.

B. Annual Premium Pay for Standby Duty. The rate of annual premium pay for standby duty is determined by the HRO and forwarded to the PRO via SF 50. (See Chapter 4, Table 4-1 for a list of deductions withheld). Standby duty pay is generally not used for Federal law enforcement employees however, for more information concerning standby duty pay, refer to Chapter 3. Standby duty pay under 5 C.F.R. 550.141 may not be paid to an LEO, who is receiving availability pay. See 5 C.F.R. 550.163.

C. Overtime Computation. Overtime work scheduled in advance of the administrative workweek on a day containing part of a criminal investigator’s basic 40-hour workweek must be compensated under 5 C.F.R. 550.111.
D. Administratively Uncontrollable Overtime (AUO). Information concerning AUO for LEOs is located in Chapter 3 and on the OPM website for pay and leave.

102103. Leave Accrual

Leave accrual guidance for LEOs is based on the guidelines published in 5 C.F.R. 630.

102104. Mandatory Separation

LEOs eligible for immediate retirement must separate from the federal service on the last day of the month in which the employee becomes 57 years of age unless he or she has not yet completed 20 years of service. In that case, the employee separates on the last day of the month in which he or she completes 20 years of service. See 5 U.S.C. § 8335(b), 5 U.S.C. § 8425(b), 5 U.S.C. § 8336(c), and 5 U.S.C. § 8412(d).

102105. Retirement

LEOs have a unique retirement deduction percentage rate for CSRS and FERS employees, which are published by OPM in the CSRS and FERS Handbook, Chapter 30.

1022 MILITARY SEALIFT COMMAND (MSC)

The pay of officers and members of crews of vessels shall be fixed and adjusted from time to time as nearly as is to be consistent with the public interest in accordance with prevailing rates and practices in the maritime industry. See 5 U.S.C. § 5348. Hours of work and premium pay policy for MSC civil service mariners are covered by Department of the Navy Civilian Marine Personnel Instruction 610, Hours of Work and Premium Pay, which has been approved by the Department of the Navy's Office of Civilian Human Resources. Base wage and premium pay scales for MSC civil service mariners are approved by the DoD Wage Setting Authority, in coordination with OPM.

*1023 DE FACTO EMPLOYEES

102301. General

A de facto employee is an individual who, in good faith, renders services to the government but who was never properly appointed or never actually appointed as an employee. There are four common de facto employment situations:

A. When an individual performed services, but was not recorded as an employee in the pay system because either the record was not yet established or the individual began working prior to their official starting date.

B. When a current employee received pay for an erroneous promotion.

C. When an employee performed services after their official separation date or after the end date of their service appointment.
D. When an individual was hired and performed services under an erroneous appointment, but is not expected to receive a legal appointment.

102302. Payment of De Facto Employees

A. General. Under the principles of quantum meruit (i.e., the actual value of services performed) an individual whose appointment is found to be improper or erroneous is entitled to receive compensation earned, service credit for purposes of accrual of annual leave, and lump-sum payment for unused leave upon separation, unless:

1. The appointment was made in violation of an absolute statutory prohibition, or

2. The employee was guilty of fraud in regard to the appointment or deliberately misrepresented or falsified a material matter.


B. De Facto Determination and Payment Processing. Payment of de facto employees for services rendered to the government will depend on the facts of each individual’s situation. The employing agency must make a determination identifying the employee as a de facto employee who acted in good faith and must convey that determination to DFAS. The employing agency must submit a payroll processing request to initiate the payment of a de facto employee. A de facto determination from the agency will invalidate any debt that may have been established for wages paid.

C. De Facto Guidance. The payment of de facto employees has been addressed in the following Comptroller General opinions:

1. Individual Serving before Appointment. Individuals serving in a de facto status before officially appointed should be compensated for the reasonable value of their services performed during that period. Payment is established at the rate of basic compensation set for the positions to which they are ultimately appointed. See Comp. Gen. B-191397, September 6, 1978 and B-189741, April 4, 1978.

2. Individual Never Appointed. The reasonable value of the services of an individual who was never in fact appointed to the position which the individual purportedly filled, should be established at the rate of basic compensation for the position that was ultimately advertised and filled. Comp. Gen. B-193605, January 8, 1979.

3. Premium Pay. The rule that a de facto employee is entitled to the reasonable value of his or her services does not limit the employee to receipt of basic compensation only. The reasonable value of his services includes premium pay, including holiday pay. Comp. Gen. B-188574, December 29, 1977.
4. **Termination and Reemployment.** In the event an individual is
terminated from employment after the appointment was found to be erroneous and is then
reemployed after a break in service, the individual is entitled to compensation earned, lump-sum
payment for accrued annual leave, service credit for annual leave accrual purposes, and recredit of
accrued sick leave. If OPM denies service credit for the period of the improper appointment, the
employee would be entitled to a refund of the retirement deductions made from his or her salary
during the period of the erroneous appointment, less any necessary Social Security deductions.

5. **Dual Compensation Prohibition.** De facto status may not be
applied to nullify the effect of a statutory provision that prohibits dual compensation. See Comp.

6. **Erroneous Promotions.** A current employee who receives an
erroneous promotion may be regarded as a de facto employee. For example, an employee is
regarded as a de facto employee if the employee is promoted but it is later determined the employee
did not meet the general requirements of the higher position. The employee is entitled to retain
the compensation received for the services performed in good faith as a de facto employee during
the period of the erroneous promotion unless there is a statutory bar prohibiting such payment.

C. **Tax Reporting.** Pay to a de facto employee should be reported as if the
individual had been a correctly appointed employee during the de facto period. De facto status
has no impact on how pay is reported. Any pay that includes wages should be reported on a W-2
form for the year in which payment is made.

1. **Example:** An employee was erroneously promoted and performed
duties and received pay associated with the erroneous promotion in 2013. The error was not
discovered until 2014. The payments for the de facto employment were reported as taxable income
on the 2013 W-2 form. There should be no adjustment to the 2013 W-2 even though the error was
discovered in 2014.

2. **Example:** An employee was erroneously promoted and performed
duties and received pay associated with the erroneous promotion in 2013. The error was
discovered in 2013 and the full amount paid was collected as a debt from the employee in 2013.
A de facto determination was submitted in 2014, which authorized the employee to be paid for the
services performed as a de facto employee. The wages for the de facto period were repaid to the
employee in 2014. The wages for the de facto period are reported in the year actually paid, or
2014.

D. **FEHB and FEGLI Deductions**

1. **FEHB.** Under the Affordable Care Act, health insurers may not
cancel coverage retroactively if premiums have already been paid, even when an employer has
erroneously allowed an ineligible employee to enroll in FEHB. Premiums should not be refunded to the de facto employee.

2. **FEGLI.** If the error is discovered before 2 years have passed, incontestability does not apply and the erroneous coverage is not valid. Any erroneous coverage should be voided and the premiums should be refunded. See FEGLI Handbook and chapter 11 of this volume.

E. **TSP.** The regulations at 5 C.F.R. 1605.12 set out procedures for removing erroneous contributions received by TSP from employees and employers.

F. **Retirement Credit.** The question of whether a de facto employee is entitled to service credit for retirement purposes should be referred to OPM. If OPM denies service credit for the period the de facto employee worked, the de facto employee is entitled to a refund of retirement contributions made during the de facto period, less any Social Security deductions. See 61 Comp. Gen. 127 (1981).

102303. Variations

OPM assists Federal agencies with correcting errors made during the competitive hiring process. Variations are used to correct errors made in the competitive hiring process when no other remedy exists within the regulation. See OPM Guidance. Hiring Authorities and 5 C.F.R. 5.1.

*1024 HIGHLY QUALIFIED EXPERTS (HQEs) AND HIGHLY QUALIFIED EXPERTS-SENIOR MENTORS (HQEs-SMs)*

102401. **General**

Employees appointed as an HQE must possess an uncommon level of expertise and recognition. Such expertise, with the exception of HQE-SMs, is generally not available within the Federal workforce at the time of need, nor is it typically gained within the civil service or uniformed services. HQE-SMs, by nature, have the expertise and experience required to fulfill their intended roles, having been recruited from former or retired civil service or uniformed service personnel. See 5 U.S.C. 9903; DoDI 1400.25, V922.

102402. **Appointments**

Employees hired as HQEs will be given “Excepted Not to Exceed” appointments (up to 5 years) under an Experts Other (EE) pay plan. The HQE or HQE-SM must sign a written service agreement.

102403. **Pay**

Compensation for an HQE or HQE-SM should reflect the salary paid in the labor market for comparable positions, taking into account such factors as applicant’s skills, professional and educational accomplishments, and the complexity of the work the applicant is asked to perform.
See DoDI 1400.25, V922 for other relevant factors. Basic pay for an HQE or HQE-SM typically will be within the range from GS-15, step 1 (or equivalent) up to the statutory limit of Level IV of the Executive Schedule. In addition to basic pay, HQEs and HQE-SMs may receive locality-based comparability payments applicable to the geographic location of their position of record as prescribed by section 5 U.S.C. § 5304. When added to the rate of basic pay, locality-based comparability payments may not exceed Level III of the Executive Schedule as described in 5 U.S.C. § 5304(g)(2)(C). See DoDI 1400.25, V922 for additional pay information.

102404. Performance Awards

HQEs and HQE-SMs are not eligible to receive performance awards.

102405. Leave

HQEs and HQE-SMs are subject to the annual leave accrual provisions of 5 U.S.C. § 6304(a), which sets the maximum number of annual leave hours carried forward from one leave year to another at 240 hours. Full-time HQEs and HQE-SMs accrue 8 hours of annual leave per pay period and at a prorated rate for other eligible part-time employees.
VOLUME 8, CHAPTER 11: “ALLOTMENTS AND VOLUNTARY DEDUCTIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated May 2015 is archived.

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<td>All</td>
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<td>110103</td>
<td>Added paragraph for “Authoritative Guidance.”</td>
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<td>Added information pertaining to “Self Plus One.”</td>
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<td>110304.A.3.b and 110610.B.1.b</td>
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CHAPTER 11

ALLOTMENTS AND VOLUNTARY DEDUCTIONS

1101  GENERAL

110101.  Overview

Allotments and voluntary payroll deductions are made from an employee’s gross pay. Both allotments and voluntary deductions are executed at the employee’s request and require written authorization from the employee prior to withholding the deduction. See Chapter 4 for information on mandatory deductions.

110102.  Purpose

The purpose of this chapter is to provide guidance on mandatory, discretionary, and voluntary deductions as they may be applied to an employee’s gross pay.

*110103.  Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

1102  ALLOTMENTS

110201.  Overview

An allotment is a recurring deduction from an employee’s pay that is authorized by the employee. An allotment is paid to a specific person or institution as directed by the employee. An agency must permit an employee to make certain mandatory allotments as discussed in paragraph 110202. Additionally, an agency may permit an employee to make additional discretionary allotments that have been deemed appropriate by the agency. For additional information, see Title 5, United States Code (U.S.C.), section 5525, Title 5, Code of Federal Regulations (C.F.R.), Part 550, subpart C, and paragraph 110203. For information concerning the order of precedence for processing both mandatory and voluntary deductions and allotments, see Chapter 4.

A.  Allotment Processing.  An allotment must be requested in writing by the employee. The request may be made electronically or by regular mail. The allotment request must identify the authority under which the allotment is permitted, the specified amount to be deducted, the period of time over which the deduction is to be made, and the name and address of the person or institution to whom the allotment is payable. The authorized deductions may be made through automated computer programs using a personal identification code.
B. General Limitations on Allotments. Any allotment is subject to the following limitations:

1. The employee must designate the amount of the allotment and the person or institution to whom the allotment is made payable,

2. The total amount of allotments may not exceed the pay due the employee for a particular pay period,

3. The employee must personally authorize a change or cancellation of an allotment,

4. The agency has no liability in connection with any authorized allotment disbursed by the agency in accordance with the employee’s request, and

5. Any disputes regarding any authorized allotment are a matter between the employee and the allottee.

C. Allotments Not Authorized. The following allotments are not authorized:

1. Collection of debts to private creditors and nongovernmental agencies;

2. Contributions to charities, except as authorized in subparagraph 110202.C and 110203.B;

3. Payment of insurance premiums, except as authorized in subparagraph 110202.G; and

4. Payment of dues to civic, fraternal or other organizations, except as authorized in subparagraphs 110202.A, 110202.B, and 110203.B.

Mandatory Allotments

Mandatory allotments are those allotments an agency must permit an employee to make as authorized under 5 C.F.R. 550.311(a).

A. Allotments for Labor Organization (Union) Dues. An allotment for dues payable to a labor organization is authorized under 5 U.S.C. § 7115. Any eligible employee has the right to make a voluntary allotment for the payment of dues to labor organizations. Employees must submit a Standard Form (SF) 1187, Request for Payroll Deductions for Labor Organization Dues, to request and authorize the allotment of pay. The allotment is effective the first pay period beginning after receipt of the properly executed SF 1187.

1. Deductions for Dues. Unless the negotiated collective bargaining agreement states otherwise, the amount of the dues deduction indicated on the SF 1187 will remain
the same until the appropriate official in the labor organization certifies the dues amount has changed. When an employee is in a nonpay status for an entire pay period, the Payroll Office (PRO) will not deduct a missed allotment for that pay period from future earnings. The PRO will not take a partial deduction if an employee is in a nonpay status for part of a pay period and the employee’s earnings are not sufficient to cover the full deduction. An employee’s biweekly deductions for labor organization dues should be calculated as follows:

a. If the amount stated on the SF 1187 refers to a total annual deduction for a 12-month period, then divide the total annual deduction by 26 to determine the biweekly deduction.

b. If the amount stated on the SF 1187 refers to a monthly deduction, then multiply the monthly deduction by 12 to determine the total annual deduction. Divide the total annual deduction by 26 to determine the biweekly deduction.

2. Cancellation of Dues Allotment by Employee. An employee may submit a request to cancel the allotment for payment of labor organization dues at any time.

a. Written Cancellation Required. An employee may file an SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues, to cancel an allotment. However, any written request signed by the employee for the cancellation of an allotment that contains sufficient information may be acceptable. Unless the collective bargaining agreement states otherwise, the employing activity is responsible for furnishing the SF 1188 to employees upon request.

b. Effective Date. Under 5 U.S.C. § 7115(a), an employee may cancel a union dues allotment at yearly intervals (or as negotiated in a collective bargaining agreement as long as the intervals are consistent with section 5 U.S.C. § 7115(a)). An employee may not be prevented from cancelling a dues allotment for a period of greater than one year.

3. Automatic Termination of Allotment. An allotment for payment of labor organization dues is automatically terminated pursuant to 5 U.S.C. § 7115(b) when any of the following events occurs:

a. The collective bargaining agreement between the agency and the labor organization ceases to be applicable to the employee. For example:

(1) When an employee is no longer a member of the bargaining unit due to separation from the employing activity, the termination of the allotment will be effective with the employee’s final pay from the activity;

(2) When an employee is no longer eligible to be a member of the bargaining unit due to a promotion or reassignment to a supervisory position, the termination of dues will be effective at the beginning of the first pay period after the employee loses eligibility to be a member; or
(3) When the labor organization loses eligibility for exclusive recognition, the termination of the allotment will be effective at the beginning of the first pay period after notification is received concerning the loss of recognition.

b. The employee is suspended or expelled from membership in the labor organization. Termination of dues will be effective the first pay period after the Defense Finance and Accounting Service (DFAS) receives the written notification from the labor organization indicating that an employee was suspended or expelled from membership.

4. Erroneous Deduction of Dues after Automatic Termination of Allotment. The agency must automatically terminate an allotment for labor organization dues when the employee ceases to be a member of the bargaining unit. There is no additional requirement for the employee to submit a cancellation form or to take any other action to terminate the allotment. If the agency does not terminate the allotment for labor organization dues in a timely manner, the PRO must refund any erroneously deducted labor organization dues, without interest, to the employee. The agency has a claim against the labor organization for the overpayment amount.

B. Allotments for Association of Management Officials and/or Supervisors Dues. An allotment for dues payable to an association of management officials and/or supervisors is authorized under 5 C.F.R. 550.331. An employee is eligible to make a voluntary allotment for the payment of dues if the employee is a supervisor or management official and is a member of the association. The agency and the association of management officials and/or supervisors must maintain a written agreement allowing for the deduction of allotments for the payment of dues.

C. Allotments for Charitable Contributions. An agency must permit an employee to make an allotment for charitable contributions through the Combined Federal Campaign (CFC) under 5 C.F.R. 550.341. For additional information, see Department of Defense Instruction (DoDI) 5035.01 and DoDI 5035.05. The CFC is a charitable fundraising program established and administered by the Office of Personnel Management (OPM) and is the only authorized solicitation for charitable contributions from employees in the Federal workplace. OPM designates a Local Federal Coordinating Committee (LFCC) to conduct the CFC in a particular community. For additional information, see 5 C.F.R. 950 and Executive Orders 12353 and 12404.

1. Geographic Boundaries of the Local Campaign. An employee may participate in a particular CFC only if that employee’s official duty station is located within the geographic boundaries of that CFC. This restriction may be discontinued with the implementation of appropriate electronic technology as approved by OPM. Upon a showing of extraordinary circumstances and as determined by the Director of OPM, employees may contribute in support of victims in cases of emergencies and disasters defined in 5 C.F.R. 950.102(a) outside the geographic boundaries of their participating CFC. The employee may make such contributions by check, money order, cash, or by electronic means, including credit cards as approved by the Director, but not through payroll deduction. See 5 C.F.R. 950.103(h).
2. **CFC Pledge Form.** The CFC Pledge Form is the only form an employee may use to authorize a CFC payroll allotment. Agencies distribute the form to employees, along with other campaign materials including the official charity list, when the charitable contributions are solicited. Employees submit a completed CFC Pledge Form (either directly or through the CFC agent) in order to establish a CFC payroll allotment. An agency must conduct a campaign during the period determined by the LFCC, which will not begin before September 1 and will not extend beyond December 15. The agency transmits the original copy of each paper pledge form (payroll allotment authorization or an acceptable electronic version) to the contributor's servicing PRO as promptly as possible, preferably by December 15. Late pledge forms should be accepted and processed by the PRO. See 5 C.F.R. 950.901.

3. **CFC Allotments are Voluntary.** A CFC allotment is voluntary and based on the employee's written authorization.

4. **1-Year CFC Allotment Term.** A CFC allotment term begins with the first full pay period starting in January and ends with the last pay period that begins in December.

5. **CFC Allotment Amount.** Employees specify an allotment amount to be deducted each pay period during the year. Allotments will not be less than $1 per biweekly pay period. There is no restriction on the size of the increment above the minimum amount. The amount of the allotment may not be adjusted during the 1-year term.

6. **Discontinuance of CFC Allotments.** Allotments discontinue automatically after the expiration of the 1-year term, or upon the death, retirement, or separation of the employee from Federal service. An employee may voluntarily discontinue an allotment by requesting a cancellation in writing at any time. Discontinuance of an allotment is effective the first pay period beginning after receipt of the written cancellation. An employee may not reinstate a discontinued allotment.

7. **Transfer of CFC Allotment Authorization.** If an employee transfers during the 1-year term of the allotment, the allotment authorization should continue unless the transfer is to an area outside of the original CFC location. Transfer the allotment authorization to the new PRO if transfer is located in the same CFC location.

D. **Allotments for Income Tax Withholding.** An employee may make an allotment for income tax withholding when the employee has a legal obligation to pay, but the agency has no legal obligation to withhold taxes. The allotment for payment of taxes authorized by 5 C.F.R. 550.351 applies to State, District of Columbia, and local income or employment taxes.

E. **Allotments for Personal Accounts at Financial Organizations.** An employee may authorize two or more allotments for a personal account(s) at a financial organization. The allotment deductions must be a fixed amount for each biweekly pay period and will continue until canceled by the employee.
1. **Initiation.** To initiate an allotment to a personal account at a financial organization, an employee submits an SF 1199A, Direct Deposit Sign-Up Form. Employees may also initiate an allotment to a financial organization through an automated computer program that allows employees to process allotments using a personal identification code. To initiate the allotment, the employee must provide a routing transit number, the employee’s account number, account type, and the biweekly amount.

2. **Changes.** To change the amount of the allotment or the financial organization or account, the employee must submit a new SF 1199A. The employee may also make a change through an available automated computer program.

3. **Cancellations.** An employee may cancel an allotment to a financial organization at any time by submitting the appropriate form to the Customer Service Representative (CSR) for processing. The employee may also cancel the allotment through an available automated computer program.

4. **Deductions**

   a. If the salary is sufficient to cover the deduction, the PRO will deduct the full allotment amount each pay period even if an employee is in a pay status for only part of a pay period. No deductions will be made if the salary amount is insufficient to cover the full allotment deduction.

   b. Retroactive deductions will not be made for a period during which the employee's net pay was insufficient to cover the allotment. The PRO will not make adjustments during future pay periods for amounts it failed to deduct during a current pay period.

F. **Child Support and/or Alimony Payments.** Employees are permitted to make an allotment for child support and/or alimony when he or she voluntarily elects to do so as authorized by 5 C.F.R. 550.361. This provision for a voluntary allotment does not apply to garnishment orders issued to enforce child support or alimony obligations.

G. **Flexible Benefits Plan Allotments.** The PRO permits eligible employees to make an allotment as part of a flexible benefits plan established by OPM. The Federal Flexible Benefits Plan (FedFlex) is OPM’s cafeteria plan that offers pretax benefits to employees in accordance with Internal Revenue Service (IRS) regulations. The FedFlex offers the following options:

   1. **Premium Conversion.** Premium conversion for medical, dental, and vision plans allows employees to pay premiums using pretax dollars. See subparagraph 110302.H.

   2. **Flexible Spending Accounts (FSAs).** FedFlex offers employees the opportunity to participate in the Federal Flexible Spending Accounts Program (FSAFEDS). See section 1105.
3. **Health Savings Accounts (HSAs).** Eligible employees enrolled in a high deductible health plan (HDHP) may establish an HSA with an HSA trustee or custodian and may request allotments to fund the HSA. An HSA is funded with pretax monies and may be used to cover current and future qualified medical expenses. The allotment continues until the employee revokes or modifies the allotment election. An employee may modify an HSA allotment at any time in order to effect a prospective change. Any balance remaining in an HSA at the end of a plan year automatically carries forward in the account and no HSA account is subject to forfeiture. Employees are responsible for ensuring their enrollment and contributions are in accordance with IRS rules and within annual limits. Payroll providers are not responsible for verifying employee eligibility or checking to ensure employee contributions are within annual limits.

110203. **Discretionary Allotments**

In addition to the mandatory allotments that an agency is required to accept from employees, an agency may also permit employees to authorize discretionary allotments made at the employee’s request for any legal purpose deemed appropriate by the head of the agency (or designee). The authority to accept discretionary allotments does not constitute independent authority by an agency to permit pretax allotments in addition to the flexible benefit plan allotments authorized by OPM under subparagraph 110202.G. See 5 C.F.R. 550.311(d).

A. **Purchase of Savings Bonds.** The United States (U.S.) Department of Treasury has discontinued the issuance of paper savings bonds through federal agency payroll savings plans. Savings bonds may be purchased in the following manner:

1. An employee must open a [TreasuryDirect](#) account. As instructed by the TreasuryDirect payroll savings plan, the employee must submit a request to the civilian PRO for a payroll deduction in the form of an allotment. The employee’s request must include the TreasuryDirect account and the amount to be deducted biweekly.

2. Savings bonds purchased in TreasuryDirect post to the employee’s account one business day after the scheduled purchase date.

B. **Foreign Affairs Agency Organizations.** An employee may elect to make an allotment to pay dues to a foreign affairs agency organization in accordance with [5 C.F.R. 550.371](#).

1. The employee is allowed to revoke the authorization at least every 6 months; and

2. The allotment terminates when the dues withholding agreement between a foreign affairs agency and the organization is terminated or ceases to be applicable to the employee.

C. **Military Welfare Societies (MWSs).** An employee may elect to contribute voluntarily to the MWSs as an authorized charitable campaign. The MWSs include, Army
Emergency Relief Society, Navy-Marine Relief Society, and the Air Force Aid Society. With the exception of CFC (see subparagraph 110202.C), MWSs are prohibited from soliciting Federal civilian employees.

1103 FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB)

*110301. General

The FEHB Program was originally authorized in 1960 and is governed under 5 U.S.C. Chapter 89 and 5 C.F.R. 890. FEHB is an employer-sponsored group health insurance program for eligible Federal civilian employees, retirees, former employees, family members, and former spouses. In January 2016, the Self Plus One enrollment type became available. See Benefits Administration Letter (BAL) 15-210. Employees are eligible to enroll themselves and eligible family members in a health plan offered by FEHB. An employee's participation in the program is voluntary. OPM sets the amount that the government contributes toward an employee’s health plan cost, and the employee is responsible for paying the remaining balance of the premium cost through salary withholding. OPM designates a three-digit enrollment code to identify health plans. The first two digits identify the plan and the third digit identifies the option (high or standard) and the type of enrollment (self only or self and family). For more information, visit FEHB Facts.

A. Authorized FEHB Forms

1. The SF 2809, Health Benefits Election Form, must be completed by the employee in order to:

   a. Enroll or reenroll in the FEHB Program,
   b. Elect not to enroll in the FEHB Program,
   c. Change FEHB enrollment,
   d. Cancel FEHB enrollment, or
   e. Suspend FEHB enrollment.

2. The SF 2810, Notice of Change in Health Benefits Enrollment, must be completed by the employee for the purpose of:

   a. Termination,
   b. Transfer in,
   c. Reinstatement, or
   d. Change in name of an enrollee.
B. **Effective Dates.** Except for open season, or unless otherwise provided, most enrollments and changes to enrollments are effective the first day of the pay period after the employing office receives the SF 2809 enrollment or SF 2810 change request. An employee must be in a pay status at least part of the pay period preceding the effective date of enrollment or change request. If an employee was not in a pay status during the pay period preceding the request, the enrollment or change becomes effective on the first day of the pay period after the employee returns to pay status. Open season begins the Monday of the second full workweek in November and ends the Monday of the second full workweek in December. OPM sets the effective date for enrollments and changes made during the annual open season.

*110302. FEHB Premium Contributions and Withholdings*

Information concerning government employer contributions (Government contribution) and employee withholdings for FEHB premiums can be found in 5 C.F.R. 890, subpart E. See FEHB **Handbook**. Premium contributions and withholdings begin the first pay period that the enrollment is effective. The PRO forwards the contributions and withholdings to OPM using the Retirement and Insurance Transfer System (RITS) on the same date payroll is paid.

A. **Government Premium Contributions.** The Government’s contribution must be paid every biweekly pay period during which an employee's enrollment continues, whether the employee is in a pay or nonpay status. The Government contribution for eligible employees is paid out of agency appropriations or other funds available for payment of salaries.

B. **Full-Time Employee Premium Withholding.** Unless otherwise provided, full-time employees are responsible for paying their share of the premium for every pay period that enrollment continues. The PRO deducts the withholding amount each pay period from the employee’s pay. The amount is determined by the rate applicable to the plan, option, and coverage selected by each employee. The plan brochure describes the benefits, biweekly deduction, and other major features of each participating plan. If the withholding is insufficient, the employee incurs a debt to the U.S. in the amount of the proper withholding required for each pay period. Employees must check their **Leave and Earnings Statements (LES)** to verify the premium withholding is correct and must report discrepancies to their employing office immediately.

C. **Part-Time Employees Premium Withholding and Contributions.** Part-time employees, as defined in 5 U.S.C. § 3402, may elect coverage under FEHB and must pay the employee share of the FEHB premium. The agency pays the employer contribution in whole or in part depending on the following, as determined by the Human Resources Office (HRO).

1. A part-time career employee hired after April 8, 1979, who works 16 to 32 hours a week (or 32 to 64 hours biweekly) is entitled to a partial Government contribution toward the FEHB premium that is in proportion to the number of hours scheduled to work in a pay period. The partial contribution is determined as follows:

   a. The prorated share of the Government’s contribution is determined by dividing the number of scheduled hours the part-time employee works as indicated on the **SF 50**, Notification of Personnel Action, by the number of hours worked by a
full-time employee serving in the same or comparable position (normally 80 hours per biweekly pay period).

b. The resulting percentage is applied to the Government contribution made for full-time employees enrolled in that plan.

c. The amount of the Government contribution is deducted from the total premium (Government contribution plus employee share), and the remaining amount is withheld from the employee’s pay. See 5 U.S.C. § 8906(b)(3) and refer to the FEHB Handbook.

2. Employees who served on a part-time basis before April 8, 1979, and who have continued to serve on a part-time basis without a break in service, are eligible for the full Government contribution.

D. Temporary Employee Premium Withholdings and Contributions. The Federal Employees Health Benefits Amendments Act of 1988 provides FEHB coverage for certain temporary employees. To be eligible for coverage, a temporary employee must have completed 1 year of current continuous employment, excluding any break in service of 5 days or less. See 5 U.S.C. § 8906a(a). The employee must pay both the employee and the government share of the FEHB premium.

E. Withholding and Contributions under Certain Conditions

1. Withholding From Lump-Sum Leave (LSL) Payment. The PRO will not deduct the regular biweekly withholding for FEHB premiums from an employee’s LSL payment. However, the PRO may collect from the LSL payment any previously established debt that is the result of an employee’s underpayment or failure to pay premiums.

2. Withholdings and Contributions Upon Transfer. An employee's health plan enrollment and coverage continue without change when the employee transfers from one PRO to another without a break in service of more than 3 days. Each PRO is responsible for FEHB premium withholdings and contributions during the time the employee was in a position serviced by the PRO. The PRO will prorate the withholdings and contributions using the Daily Proration Rule if the employee transfers to a different PRO at any time other than the first day of the pay period. See subparagraph 110302.G.

3. Withholding and Contributions Upon Retirement. If an employee retires and is eligible to continue enrollment in a health plan as an annuitant, the PRO’s responsibility for FEHB premium withholdings and contributions is based on the date the annuity starts. If the annuity starts after the end of the employee’s final pay period, the PRO makes withholdings and contributions for the entire final pay period. If the annuity starts before the end of the employee’s final pay period, the PRO makes withholdings and contributions through the day before the starting date of the annuity using the Daily Proration Rule discussed in subparagraph 110302.G. OPM will make withholdings beginning with the effective date of the annuity.
4. **Withholding and Contributions Upon Death.** If an employee dies and there is no survivor annuity, or if the employee maintained self only enrollment, the PRO must make full FEHB premium withholdings and contributions for the pay period in which the employee dies. If a survivor annuitant is eligible to continue enrollment, the PRO will prorate the calculation using the Daily Proration Rule and the employee’s date of death.

5. **Withholding and Contributions Upon Retroactive Reinstatement.** An employee who is restored to duty retroactively after an erroneous suspension or removal may elect to have his or her enrollment retroactively reinstated, or may enroll in the plan and option of their choice in the same manner as a new employee. If the employee elects to have the enrollment retroactively reinstated, the PRO must take deductions for the period of suspension or removal from the retroactive pay adjustment (i.e., back pay award) and the Government premium contributions should be made as though the suspension or removal had not occurred.

6. **Withholding and Contributions Upon Termination or Reinstatement for Military Service.** If enrollment is terminated or reinstated because of an employee’s entry into or return from military service, the Daily Proration Rule is applied. The effective date of the action is the date the employee entered into or returned from military service.

**F. Withholding and Contributions During Leave Without Pay (LWOP) or Insufficient Pay Status**

1. **365-Day Limit.** Enrollment may continue while an employee is in a nonpay status for up to 365 days. The 365 days of continuous enrollment is not considered to be broken by any period of less than 4 consecutive months in pay status. If an employee has 4 consecutive months in pay status after a period of nonpay status, the employee is entitled to begin a new 365-day period of continuous enrollment. See 5 C.F.R. 890.303(e).

2. **PRO Forwards Premium Payments Each Pay Period.** An employee is responsible for continuing to pay the employee's share of the FEHB premium during periods of LWOP or insufficient pay, unless the employee terminates the enrollment. The PRO will not withhold the employee’s share of premiums for a pay period when an employee is on LWOP or has insufficient pay to cover the full FEHB premium. However, the PRO must continue to forward the full FEHB premium (both the Government contribution and the employee’s share) to OPM each pay period. The PRO must advance salary to cover the employee’s share of the FEHB premium and the employee will incur a debt for the advance payments.

3. **Notification to Employee.** The payroll system must be capable of identifying all employees on LWOP or who have insufficient pay to cover premiums. Written notice must be provided to an employee by the PRO as soon as the PRO becomes aware that premium payments cannot be withheld from the employee’s salary. Notice should be provided in accordance with instructions in the FEHB Handbook and 5 C.F.R. 890.502(b) and sent by first-class mail or delivered in person. If mailed, the notice is considered to be received 5 days after the date of the notice. The notice must advise the employee of the following:

   a. Options for continuing or terminating enrollment;
b. Effect of termination;

c. If the employee decides to continue coverage, the employee must agree to pay the premium directly, incur a debt, or pre-pay premiums;

d. If the employee elects to incur a debt or fails to pay the entire amount due, the employee thereby agrees to repay the debt in full and allow the debt to be collected by salary offset. The notice should indicate that if the debt cannot be collected by salary offset, it will be recovered from a LSL payment, income tax refunds, retirement payments, or any other source available for the recovery of a debt due the government; and

e. If the employee does not complete the election indicating whether the employee chooses to continue or terminate enrollment and return the notice within 31 days after receipt (45 days if the employee lives overseas), enrollment will automatically terminate.

4. Employee Must Continue or Terminate Enrollment. If the employee enters LWOP or pay is insufficient, the employee must either terminate enrollment or agree to pay the premium (or incur a debt) in order to continue enrollment. See the FEHB Handbook for additional information.

a. Terminating Enrollment

(1) Coverage. If the employee elects to terminate enrollment, the termination is effective at the end of the last pay period in which the PRO withheld the premiums from pay. Upon termination, FEHB coverage continues for an additional 31 days at no cost to the employee. During the 31-day period, the employee and covered family members may convert to an individual contract with the insurance carrier (commonly referred to as the “conversion right”).

(2) Reenrollment. If the employee returns to a pay status, or at the end of the first pay period that pay becomes sufficient to cover premiums, the employee must reenroll within 60 days if the employee wishes to elect FEHB coverage again. If the PRO has forwarded the Government contribution to OPM using RITS and an adjustment is required in a subsequent pay period due to the late receipt of the FEHB cancellation, appropriate changes must be made to the Department of Defense (DD) Form 592, Payroll for Personal Services, and the SF 2812-A, Report of Withholdings and Contributions for Health Benefits by Enrollment Code. See the CSRS and FERS Handbook.

b. Continuing Enrollment. If the employee elects to continue coverage, the employee may pay premiums directly to the employing agency while on leave (“pay-as-you-go” option), incur a debt for the unpaid premiums while on leave (“catch-up” option), or pre-pay the premiums before the employee goes on LWOP. The PRO must notify the employee of choices available (using the notification discussed at subparagraph 110302.F.3) and provide the employee with a method to make direct premium payments. If the employee elects to incur a debt, the employee must repay the debt in full or the employee will be subject to debt
collection action. If the employee pre-pays the premiums, the amount may be deducted from pay or may be paid out-of-pocket. Out-of-pocket payments are after-tax monies.

c. Employee Takes No Action. If the employee does not sign and return the written notice within 31 days of receiving the notice (45 days for overseas employees), the PRO must terminate the enrollment on the SF 2810, Notice of Change in Health Benefits Enrollment. The effective date of enrollment termination is retroactive to the end of the last pay period that premiums were withheld from pay.

5. Coordinating Withholding from Disability Retirement or Workers’ Compensation

a. Pending Applications.

   (1) General. An employee’s period of LWOP may be associated with an employee’s pending application for disability retirement or workers’ compensation benefits. Generally, if the employee’s application is approved, the disability retirement annuity or workers’ compensation benefits will be payable from the day following the last day of pay.

   (2) PRO Actions. If the employee does not continue to make premium payments during LWOP, the PRO must recover the employee’s share of the FEHB premium from the annuity or workers’ compensation benefits payment. If the employee paid his or her share of FEHB premiums during LWOP and withholding is also made from the annuity or workers’ compensation benefits for the same period, the PRO will refund the amounts to the employee to avoid double premium payments. If the disability retirement annuity does not begin on the day following the last day of pay, the PRO will not refund premium payments until the office receives a notice from OPM indicating the disability retirement application has been approved.

b. Withholding While Receiving Workers’ Compensation. Health benefits enrollment continues while an employee is receiving compensation through the Office of Workers' Compensation Programs (OWCP). Historically, if compensation lasted fewer than 29 days, FEHB enrollment remained with the PRO. In August of 2010, OWCP discontinued the practice of delaying deductions for the 28-day period and began making the FEHB deductions effective the first day of LWOP to prevent interruptions in insurance deductions. See Federal Employees Compensation Act (FECA) Circular No. 09-04 and FECA Circular No. 12-05. Enrollment continues during the first 365 days in LWOP status while an employee is receiving compensation. After 365 days, an employee must meet certain participation requirements (see FEHB Handbook) and enrollment eligibility is determined by OWCP.

6. Special Circumstances Involving Employees on LWOP. An employee may elect to continue their benefits and pay the employee share of their premiums under the following special circumstances:
a. **Student Trainees on LWOP.** Enrollment for student trainees with a career or career conditional appointment continues during LWOP as long as the student is participating in the Student Career Experience Program under 5 C.F.R. 213.3202(b). The student must continue to pay the employee share of FEHB premiums during LWOP status.

b. **Part-Time Employees on LWOP.** During LWOP, a part-time career employee who receives a prorated Government contribution toward FEHB premiums must continue to pay the same amount of health benefits premiums that were withheld from the employee’s pay when the employee was in pay status.

c. **Temporary Employees on LWOP.** A temporary employee enrolled in FEHB must pay both the employee share and the Government share of premiums during periods of LWOP. An employee who accepts a temporary position with another employing office must have the enrollment transferred from their original employing office to the new employing office. If the employee is still in LWOP status when the temporary position at the new employing office ends, enrollment must be transferred back to the original employing office. The original employing office must determine the remaining time the employee is entitled to continue FEHB coverage under LWOP. If the employee’s temporary position in the original employing office has expired, the FEHB enrollment must be terminated. Both offices must coordinate the action so that withholdings and contributions are made in a timely manner.

d. **Employees on Family and Medical Leave.** An employee is entitled to 12 weeks of unpaid leave under the Family and Medical Leave Act (FMLA). See 5 U.S.C. § 6382. The 12 weeks of FMLA leave usually runs concurrently with the 365-day period for FEHB coverage during LWOP status. During the 12 weeks of FMLA leave, the general requirements for premium withholding and contributions described in paragraph 110302 apply. During any FMLA leave period that extends beyond 365 days (for example, if the employee has used an extensive amount of LWOP before beginning FMLA leave), the employee must pay the employee’s share of FEHB premiums directly to the PRO on a current basis.

e. **Employees Appointed to Employee Organizations**

   (1) **Eligibility.** An employee who is authorized LWOP status in order to serve as a full-time officer/employee of an employee organization may continue health benefit coverage if elected within 60 days from the start of LWOP. Coverage continues for the entire length of the appointment, even if LWOP lasts longer than 365 days. The employee pays the full cost of the health plan premium (both the employee and Government share). The employee must make the premium payment to the PRO before, during, or within 3 months after the end of each pay period.

   (2) **Termination.** Coverage terminates if the employee does not pay premiums within this timeframe (subject to the 31-day extension of coverage and conversion right). Coverage will not resume until the employee enters pay and duty status in Federal service. Coverage may be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee’s control and payment is made at the first opportunity.
f. **Appointments to State or Local Governments, Institutions of Higher Education, Indian Tribal Government, or other Organizations.** An employee granted LWOP for the purpose of an appointment to a State or local government, an institution of higher education, Indian tribal government, or certain other organizations specified in 5 C.F.R. 334, may elect to continue health benefits coverage for the duration of the assignment. Employees are entitled to continue coverage even if LWOP lasts longer than 365 days. The employee must pay the employee’s share of the premiums to the PRO before, during, or within 3 months after the end of each pay period. The employing office must continue to pay the Government share of the premiums as long as the employee continues to make premium payments. If the employee does not make premium payments in a timely manner, coverage:

1. Terminates if the employee does not pay premiums in a timely manner (subject to the 31-day extension of coverage and conversion right);

2. Will not resume until the employee enters pay and duty status in Federal service; and

3. May be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee’s control and payment is made at the first opportunity.

g. **Transfer to International Organization.** An employee who is transferred to an international organization under 5 U.S.C. § 3582 may elect to continue health benefits coverage and must pay the employee share of premiums to the employing office before, during, or within 3 months after the end of each pay period. The employing office must continue to pay the Government contribution as long as the employee pays their share of the premium. Coverage terminates if the employee does not pay premiums within this timeframe (subject to the 31-day extension of coverage and conversion right). Coverage will not resume until the employee enters pay and duty status in Federal service. Coverage may be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee’s control and payment is made at the first opportunity. See 5 C.F.R. 352.309.

h. **Employee Salary Paid in Less Than 12 Months.** If an employee’s salary is paid over a period of less than 12 months (for example, a teacher who is paid over 10 months), the employing office should prorate the annual premium installments over the number of salary installments during the year so that the employee does not owe additional premiums during the nonpay period. If the employee is on LWOP status during the normal work period, the employee must pay premiums for that period.

G. **Daily Proration Rule**

1. **General.** The Daily Proration Rule is a formula used to calculate partial employee withholdings and Government contributions for FEHB premiums. Unless otherwise provided, the full withholding and contributions must be made for each pay period even if the employee is in pay status for only part of the period. The PRO uses the Daily Proration Rule to compute partial withholdings and contributions under the following circumstances:
a. The employee transfers to a position serviced by a different
PRO other than at the beginning of a pay period;

b. The employee retires other than at the end of a pay period
and is eligible to continue FEHB enrollment;

c. The employee dies, and there is a survivor annuitant eligible
to continue FEHB enrollment; or

d. The employee terminates or reinstates enrollment because of
entry into or return from military service.

provides examples for computing a prorated amount of withholdings and contributions using the
Daily Proration Rule. Each PRO (gaining and losing) is responsible for FEHB withholdings and
contributions for the actual time the employee occupied a position serviced by the PRO. The PRO
must compute daily FEHB premium withholdings and contribution rates as follows:

a. Daily Withholding Rate. To determine the daily
withholding rate for partial employee withholding, multiply the employee’s biweekly withholding
rate by 26 and divide by 364; the result will equal the daily withholding rate. Multiply the daily
withholding rate by the number of days on the payroll, the result will equal the amount of
withholding for which the PRO is responsible. Use the denominator of 364 even during a leap
year.

b. Daily Contribution Rate. To determine the daily
contribution rate for partial Government contributions, multiply the biweekly Government
contribution rate by 26 and divide by 364; the result will equal the daily contribution rate.
Multiply the daily contribution rate by the number of days on the payroll, the result will equal the
amount of contributions for which the PRO is responsible. Use the denominator of 364 even
during a leap year.

H. FEHB Premium Conversion. Premium conversion is a method for reducing
taxable income by the amount of an employee’s contribution to his or her FEHB premium.
Premium conversion reduces the employee’s taxable income thereby lowering the employee’s
Federal income tax, Social Security and Medicare taxes, and state and local taxes. See
\textit{5 C.F.R. 892.102}. The HRO automatically enrolls eligible employees in premium conversion.
Before the effective date of coverage, an employee may waive participation in the premium
conversion benefit by filing an FEHB \textit{Premium Conversion Waiver/Election Form}. Thereafter,
an employee may file a waiver of participation in premium conversion only under the limited

I. Collection of Unpaid FEHB Premiums Debt

* 1. Debt Collection. Debt collection actions shall be made pursuant to
the debt collection authority in \textit{Volume 16}. If the employee received a salary advance to cover
FEHB premiums (using the “catch-up option”) and the employee signed a statement agreeing that the debt may be withheld from future pay, then the agency is not required to offer the employee a hearing before beginning salary offset, but notice of the intent to collect the debt must be provided. See 5 C.F.R. 550.1102(b).

2. Payments and Offsets. The PRO will note payments received or payroll deductions withheld and record those payments in the OPM deposit fund for FEHB withholdings. If the employee separates, the amount owed must be offset against any entitlements due. If the employee retires and final pay is not sufficient to cover the debt, then the OPM Form 1522, Request for Offset for Health Benefits Premiums from Monies Payable Under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), must be used to offset against a CSRS or FERS annuity. In addition, note on the SF 2806, Individual Retirement Record, or SF 3100, Individual Retirement Record (FERS), that the separating employee has been indebted. There is no minimum amount subject to offset. If the employee has made any duplicate payments that are later offset, the duplicate payments must be refunded.

3. Debt Collection after Transfer to a Different PRO. The date of last withholding and amount due must be shown on the SF 1150, Record of Leave Data, when an employee has a debt for unpaid FEHB premiums and transfers to a different PRO. Amounts due from employees transferring to another PRO should be collected by the gaining PRO and paid to the former employing office and reported to OPM by the gaining PRO.

4. Employees Erroneously Allowed to Continue FEHB Coverage Beyond 365 Days of Leave Without Pay. The Affordable Care Act does not allow a health insurer to cancel coverage retroactively if premiums have been paid, including if an employer has erroneously allowed an ineligible employee to enroll. Where an employee who was on LWOP elected to incur a debt for the employee portion of the premium, and the employee’s enrollment was erroneously allowed to continue for an extended period of time beyond the 365th day, the premium debt incurred by the employee for coverage may be significant. Therefore, OPM has directed agencies that in such a case, the agency must allow the employee to choose whether to:

   a. Terminate the enrollment prospectively effective last day of the pay period in which the error was discovered and keep the coverage during the erroneous enrollment period. This means, if the employee incurred a debt, the employee owes the employee share of the premiums to the agency for that period, however the employee is entitled to full benefits during the period of the erroneous enrollment; or

   b. Terminate the enrollment retroactively back to the date the FEHB enrollment should have terminated (meaning the employee owes no premiums for the erroneous enrollment period, but was not covered during that period and is responsible for any claims paid). This will allow the employee to avoid a large premium debt if little or no services were used due to the agency’s error.
110303. FEHB for Employees Entering Active Military Service

A. General. Federal law allows up to 24 months of continued FEHB benefits for Federal employees, and their covered dependents, who separate or enter into nonpay status to serve in the uniformed services, referred to as Absent-Uniformed Service (AUS). See 38 U.S.C. § 2417(a)(1)(A) and 5 U.S.C. § 8905a.

1. Active Duty 30 Days or Less. If the employee is on active duty for 30 days or less and is in pay status, the employee’s FEHB enrollment continues without change to the employee withholding or Government contributions.

2. Active Duty Over 30 Days. An employee who enters active duty for more than 30 days may continue enrollment for up to 24 months unless the employee terminates enrollment.

3. Cost of FEHB Coverage. As discussed in subparagraph 110303.B, the cost of FEHB is dependent upon the nature and length of the employee’s active duty. Eligible DoD employees called to active duty in support of a contingency operation receive an enhanced benefit that results in the agency paying both the employee and government shares of the premiums for up to 24 months. However, if status changes to non-contingency during the employee’s active duty service, a debt will incur. See also 5 C.F.R. 890.303(i), 5 C.F.R. 890.304, and 5 C.F.R. 890.502(f).

B. Premium Payments – General Information.

1. First 365 Days. For the first 365 days AUS (12 months), the employee must pay the employee share of the FEHB premium (the employee may elect to postpone payment using the “catch up option”).

2. After 365 Days. After 365 days on AUS, the employee must pay both the employee share and the government share of the FEHB premium, plus a 2 percent administrative charge. Payment is made directly to the PRO on a current basis (each pay period). See 5 C.F.R. 890.502 (f). Active Duty in Support of a Contingency Operation. As discussed in subparagraph 110303.C, DoD Components pay both the employee and government’s share of the FEHB premium if the employee is called or ordered to active duty in support of a contingency operation.

3. Enrollment Termination and Reenrollment. An employee’s enrollment ends 24 months after absence for military service began, or 90 days after service ends, whichever is earlier. At the end of the 24 months, FEHB coverage will continue for an additional 31 days during which the employee and covered family members may convert to an individual contract with the insurance carrier. If the employee has terminated enrollment during active duty, they may enroll again within 60 days after returning to civilian employment.

C. Premium Payments When Service is in Support of a Contingency Operation. Eligible Federal employees called to active duty in support of a contingency operation, as defined in 10 U.S.C. § 101(a)(13), on or after September 14, 2001, are allowed an extension of coverage under the FEHB Program for up to 24 months. See 5 U.S.C. § 8905a and 5 C.F.R. 890.502(f). DoD agencies may pay both the employee’s share and the government’s share of the FEHB premiums (in addition to any administrative charges the employee may otherwise be required to pay) for up to 24 months for eligible employees. See 5 U.S.C. § 8906(e)(3). When an employee moves from a contingency to non-contingency operation, the agency is required to cease paying the employee share of premiums.

1. Eligibility Requirements. To be eligible for continued FEHB coverage and payment of the employee’s share of the FEHB premium under these authorities, the employee must be:
   a. Enrolled in FEHB and elect to continue that enrollment;
   b. A member of a Reserve component of the Armed Forces, which includes the Army National Guard, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air National Guard, the Air Force Reserve, and the Coast Guard Reserve;
   c. Called or ordered to active duty (voluntarily or involuntarily) in support of a contingency operation as defined in 10 U.S.C. § 101(a)(13);
   d. Placed on AUS or separated from civilian service to perform active duty; and
   e. On active duty for a period of more than 30 consecutive days.

2. Effective Date. Continued coverage and agency full premium payment for eligible employees will be effective the date the employee is initially placed on AUS or separated from civilian service to perform active duty. Eligibility continues for up to 24 months while the employee is on active duty. The 24-month period will not be extended by the employee’s intermittent use of paid leave during a period of military service.

D. Historical Information

1. Service in Support of a Contingency Operation on or After December 8, 1995, but Before September 14, 2001. Title 5 U.S.C. § 8906(e)(3) provided an extension of coverage under FEHB for no longer than 18 months for eligible employees. Under the law, agencies were authorized to pay the full FEHB premium (employee share and government share) for a period no longer than 18 months for eligible employees. The period of continued FEHB coverage began on the date of the employee’s absence from their civilian position. The agency paid full FEHB premiums during periods of AUS or separation, but not during any pay period the employee used paid leave.
2. Service Not in Support of a Contingency Operation on or After December 12, 1994 and before December 10, 2004. The Uniformed Services Employment and Reemployment Rights Act (USERRA) protects all employees serving on active duty in the uniformed services, including those serving under non-contingency orders. See 38 U.S.C. § 4317(a)(1)(A). Under USERRA, employees called to active duty under Title 32 or Title 10 between the aforementioned dates, were entitled to continued coverage of FEHB for 18 months. The period of continued FEHB coverage began on the date of the employee’s absence from their civilian position.

   a. First 12 Months. The employee was responsible for payment of the employee’s share of the FEHB premium for the first 12 months.
   
   b. 12 to 18 Months. The employee was responsible for the full FEHB premium (employee share and government share) plus a 2 percent administrative charge after 12 months and up to the 18-month limitation.

110304. Retroactive Changes and Adjustment of Errors

A. Retroactive Changes in Enrollment to Self Only. If the employee does not participate in premium conversion, the employee may change enrollment from self and family to self only at any time. An employee who participates in premium conversion is limited to changing their enrollment from self and family to self only during open season, or within 60 days after the employee has a qualifying life event. Generally, a qualifying life event is an increase or decrease in the number of eligible family members as described in the FEHB Handbook.

   1. The HRO may make enrollment changes retroactively to the first day of the pay period that began after the employing office received the employee’s enrollment change request.
   
   2. The retroactive change, and corresponding adjustments to health benefits withholdings and contributions, may be made only upon the employee’s written request. The request must identify the event and date when the employee became the only person covered by family enrollment.
   
   3. If an employee retroactively changes from self and family to self only, the PRO must make corrective adjustments to refund premiums back to the beginning date of the change in coverage provided by the employing agency. The Barring Act (Statute of Limitations) under 31 U.S.C. § 3702 (b)(1) does not apply to these specific changes.

B. Adjustment of Errors

* 1. Underdeduction. An underdeduction of FEHB withholding represents an overpayment of the employee’s pay. Collection of the overpayment is exempt from due process if the amount was accumulated over four pay periods or less immediately preceding the current pay period. See 5 C.F.R. 550.1104(c). Collection is subject to due process procedures when the amount accumulated is for a period of more than four pay periods. The PRO must collect
the overpayment from a separated employee’s final pay. See Volume 16, section 030207 for additional information.

2. Overdeduction. If the PRO overdeducts the FEHB premium amount owed by the employee, the PRO must refund the overdeduction to the employee and adjust the Government contribution on a subsequent pay period.

110305. Temporary Continuation of Coverage (TCC)

A. General. An employee who loses FEHB coverage because he or she separates from Federal service may enroll under the TCC of FEHB. TCC allows an employee to continue health benefits coverage for up to 18 months from the date of separation. An employee’s family member (child or former spouse) who loses coverage because he/she is no longer eligible may also enroll under TCC and may continue coverage for up to 36 months from the date of their change in status as a family member. HRO provides the employee with a notification of TCC election rights. For specific details regarding TCC, see 5 C.F.R. 890, subpart K.

B. Notification. Once the employee’s HRO establishes TCC eligibility, the HRO will forward the election form to the National Finance Center (NFC), which administers the TCC program for the DoD. The NFC will notify eligible individuals and provide further information on benefits, and will process enrollment changes and cancellations. NFC will collect premiums and send them to OPM.

C. Premium Payments. Individuals eligible for TCC must pay the full premium for the health benefit plan, which includes the employee withholding amount and the Government contribution plus a 2 percent administrative charge. However, if the individual has TCC based on a separation due to a reduction in force under 5 U.S.C. § 8905A(d)(4), the employee only pays their share, and the agency continues to pay the Government contribution amount plus the 2 percent administrative charge.

1104 FEDERAL EMPLOYEES DENTAL AND VISION INSURANCE PROGRAM (FEDVIP)

110401. General

FEDVIP provides dental and vision insurance to Federal employees at competitive group rates. While FEDVIP enrollment occurs during the annual Federal benefits open season process, FEDVIP is separate from the FEHB Program. For additional information, see 5 C.F.R. 894.

110402. FEDVIP Eligibility and Participation

A. Eligibility. Generally, in order to be eligible to enroll in FEDVIP, employees must be eligible for enrollment in the FEHB Program however; enrollment is not required. Certain employees, such as some temporary employees or intermittent employees, are not eligible for FEDVIP even though they may be eligible for FEHB. Enrollees in the FEHB TCC are not eligible for FEDVIP. Coverage of FEDVIP continues each year, and employees do not
need to re-enroll each year to continue current coverage. Employees may enroll in FEDVIP through BENEFEDS, which administers enrollment for the FEDVIP program. Employees can utilize a secure enrollment site at www.BENEFEDS.COM, or by calling BENEFEDS customer service at 1-877-888-3337.

B. Enrollment. Employees may enroll in FEDVIP:

1. During the annual open season;

2. Within 60 days after first becoming eligible as a new employee, or a previously ineligible employee who transfers to a covered position;

3. Within 60 days after returning to work following a break in service of at least 30 days; or

4. From 31 days before the employee (or eligible family member) loses other dental/vision coverage to 60 days after a qualifying life event allowing the employee to enroll. See 5 C.F.R. 894.502 and BENEFEDS.com for information on qualifying life events.

C. Types of Enrollment. Under the FEDVIP, employees may select from the following types of enrollment:

1. Self only, which covers only the employee;

2. Self plus one, which covers the employee plus one eligible family member as specified by the employee; or

3. Self and family, which covers the employee and all eligible family members.

D. Cancellation, Termination and Extension of Enrollment

1. Cancellation of Enrollment. Generally, an employee may only cancel FEDVIP participation during open season. An employee may cancel FEDVIP participation outside of open season only under the following two circumstances and the cancellation is effective at the end of the pay period in which the employee submits the cancellation request:

   a. When the employee or employee’s spouse is called to active military duty; or

   b. When the employee transfers to an eligible position with another Federal Agency that provides dental and/or vision coverage and the employer pays 50 percent or more of the premium.
2. **Ineligibility.** When an employee who no longer meets the definition of an eligible employee, FEDVIP coverage stops at the end of the pay period in which the employee was last eligible.

3. **Extension of Coverage and TCC.** Upon termination, there is no extension of coverage or right to convert to an individual contract with the insurance carrier. There is no TCC for employees or family members when FEDVIP coverage stops or family members become ineligible.

### 110403. FEDVIP Premiums

**A. General.** Employees who elect to participate in FEDVIP pay the entire premium, as there is no Government contribution for FEDVIP. Part-time employees pay the same premium as full-time employees.

**B. Premium Conversion.** The PRO withholds FEDVIP premiums from the employee’s biweekly salary on a pre-tax basis using premium conversion, the method for reducing taxable income by the amount of the employee’s contribution to their FEDVIP premium. Unlike the FEHB program, an employee may not opt out of premium conversion for FEDVIP. Premiums are not paid on a pre-tax basis if the employee has insufficient pay to cover the premium or is in a nonpay status. An employee who pays a premium directly to the FEDVIP administrator is not eligible for premium conversion. When an employee’s enrollment is retroactively changed and additional premium withholding is required, the employee is not eligible for premium conversion unless the change is the result of a birth or adoption of a child.

**C. Insufficient Pay or Nonpay Status.** If an employee misses a premium payment for FEDVIP, they must make up the payment in subsequent pay periods or FEDVIP coverage will stop on the last day of the pay period in which FEDVIP received an allotment. An employee who is in a nonpay status, or who has insufficient pay to cover premiums, may also arrange to pay premiums directly to the FEDVIP administrator. If the employee stops making direct premium payments, FEDVIP coverage stops at the end of the pay period in which the employee last made a payment. If FEDVIP coverage stops, the employee will not be able to reenroll until the next open season after the employee is in pay status or the employee’s pay is sufficient to pay the premium.

### 1105 ALLOTMENTS FOR FEDERAL FLEXIBLE SPENDING ACCOUNT PROGRAM (FSAFEDS)

**110501. General**

FSAFEDS offers three different Flexible Spending Accounts (FSAs). Eligible employees under this program open a FSA and make an annual election to deposit a portion of their pay into the account for the upcoming benefit period. The PRO withholds allotments from the employee’s biweekly salary on a pretax basis and deposits the funds into the FSA. Employees may request to accelerate allotments over fewer pay periods. The employee may use their FSA for reimbursement of out-of-pocket costs for health care (such as co-payments...
and expenses not covered by insurance). Employees may also set up an account for dependent care expenses for a qualifying dependent. FSAFEDS is not a part of the FEHB program.

A. **Open Season.** Eligible employees must enroll in FSAFEDS each year during the Federal Benefits Open Season. Open season enrollments are effective January 1 of the following year. Enrollment does not carry forward year-to-year, and an employee must reenroll each year. New and newly eligible employees must enroll in the program within 60 days (but no later than October 1) of their entry on duty.

B. **Enrollment.** Employees must enroll directly with FSAFEDS either through the website at [fsafeds.com](http://fsafeds.com) or by calling FSAFEDS at 1-877-372-3337.

110502. Types of Flexible Spending Accounts

A. **Health Care Flexible Spending Account (HCFSA).** An eligible employee may make an allotment to an HCFSA to pay for qualified health care costs not covered by FEHB. If an employee maintains an HCFSA and enrolls in an HDHP, the employee may not maintain a HSA.

B. **Dependent Care Flexible Spending Account (DCFSA).** An eligible employee may make an allotment to a DCFSA to pay for qualified dependent care (such as day care) expenses.

C. **Limited Expense Health Care Flexible Spending Account (LEX HCFSA).** The LEX HCFSA is only available to employees who enroll in an FEHB HDHP with an HSA. Eligible expenses are limited to dental and vision care services.

* 110503. Allotments for FSAs

A. **Payment of allotments.** Allotments withheld from the employee’s pay are forwarded to BENEFEDS on the same date payroll is paid.

B. **Carryover.**

* 1. **Prior to 2015.** Any unused FSA allotments were forfeited if the employee did not incur an eligible expense and file a timely claim for reimbursement.

* 2. **After 2015.** In October 2013, the Treasury and the IRS modified the forfeiture (“use-or-lose”) rule for health care FSAs. Effective January 1, 2015, FSA programs allowed participants to carry over up to $500 of unused health care FSA funds to the next plan year (as long as they re-enroll in health care FSAs). Each year, by January 15, a carryover account will be established with their remaining funds from the prior calendar year, up to $500. Any amount over $500 will remain in the prior year account and will be forfeited if prior year claims are not submitted by the April 30 deadline. The carryover funds can be used for prior year expenses that are submitted by April 30 or current year expenses. The carryover balance will be set to a “secondary priority” for claim reimbursement; this means that the
carryover balance will be used only if the prior and/or current year balances have been depleted. See Benefits Administration Letter (BAL) 14-801. For additional information on carry over rules, see fsafeds.com.

C. LWOP and Nonpay Status.

1. Effect of Nonpay Status. The Government will not make up the employee’s allotments to an FSA if the employee is on LWOP or in a nonpay status. However, the employee may prepay allotments for periods of LWOP. If allotments are not prepaid, the HCFSA or LEX HCFSA account will be frozen. The employee will not be eligible for reimbursement of expenses incurred during LWOP or while in a nonpay status until the employee returns to pay status and allotments have restarted (even if the government continues to pay the employee’s FEHB premiums for medical coverage). If an employee maintains a DCFSA during nonpay status, certain dependent care expenses that meet IRS guidelines for eligible expenses may continue to be reimbursed up to the account balance.

2. Return to a Pay Status. Upon the employee’s return to pay status, the PRO will recalculate any future allotment amounts based on the number of pay dates remaining in the benefit period.

D. Separation from Employment and Termination of FSAFEDS Participation. Participation in FSAFEDS stops as of the employee’s separation date, or the last day of the pay period in which FSAFEDS received an allotment. HCFSA or LEX HCFSA expenses incurred after participation ends are not eligible for reimbursement. Reimbursement is only available for expenses incurred prior to the date of termination. However, the employee may continue to use the remaining balance in a DCFSA for eligible dependent care expenses until the end of the Benefit Period or until the depletion of the account balance, whichever comes first. Termination may be due to a change in employment status causing the employee to lose eligibility, separation from Federal employment, or transfer to a Federal agency not covered by FSAFEDS.

1106 FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI) PROGRAM

110601. General

The FEGLI Program is a term life insurance program that provides life insurance coverage for Federal employees and their families. See 5 U.S.C. § Chapter 87. The FEGLI Act of 1954, P.L. 83-598, created the FEGLI Program. OPM administers the Program and sets the amounts for employee withholdings and Government contributions. For additional information, see 5 C.F.R. Part 870 or the FEGLI Program Handbook. FEGLI benefits are payable regardless of the cause of death. The employee’s SF 50 reflects the FEGLI enrollment code. See SF50 Insurance Code Translator.

110602. Types of Life Insurance

There are two types of life insurance coverage under the FEGLI Program, Basic and Optional. The employee and the government share the cost of Basic insurance. The employee
pays the entire cost for any of the three additional types of Optional insurance. Additionally, accidental death and dismemberment coverage is an automatic part of Basic and Option A insurance at no additional cost to employees.

A. Basic Insurance. On the date the eligible employee is initially placed in pay and duty status, the HRO automatically enrolls the employee in Basic insurance, unless the employee specifically waives Basic insurance coverage. A new employee may opt out of Basic insurance by filing a waiver of Basic insurance with the employing office before the end of the first pay period. The new employee may also use a previously filed waiver from earlier employment which remains in effect. See 5 C.F.R. 870.501.

1. Basic Insurance Amount (BIA). The amount of an employee’s Basic insurance coverage is equal to their BIA multiplied by a factor based on the employee’s age. An employee’s BIA is either the annual rate of basic pay, rounded to the next higher thousand (plus $2,000) or $10,000, whichever is higher. An employee’s BIA automatically changes whenever an employee’s pay changes. Effective October 30, 1998, there is no maximum BIA. Note: if the employee’s salary is limited or “capped” by law, the amount of Basic insurance is based on the capped amount, not on the amount of pay without the cap. See 5 C.F.R. 870.202.

2. Annual Rate of Basic Pay for Determining BIA. BIA is based on the employee’s annual pay as fixed by law or regulation. See 5 C.F.R. 870.204. An employee’s annual pay for life insurance purposes includes the following pay:

   a. Interim geographic adjustments and locality-based comparability payments;

   b. Premium pay for standby duty under 5 U.S.C. § 5545(c)(1);

   c. For a law enforcement officer as defined under 5 U.S.C. § 8331(20), 5 C.F.R. 831.902 and 5 C.F.R. 842.802, premium pay for administratively uncontrollable overtime is authorized under 5 U.S.C. § 5545(c)(2);

   d. Night differential pay for wage employees;

   e. Environmental differential pay for employees exposed to danger or physical hardship;

   f. Special pay adjustments for law enforcement officers;

   g. Availability pay for criminal investigators under 5 U.S.C. § 5545a;

   h. Market pay for physicians and dentists of the Department of Veterans Affairs under 38 U.S.C. § 7431; and

   i. Straight-time pay for regular overtime hours for firefighters.
3. **Annual Rate of Pay for Employee Paid Multiple Rates.** An employee may be paid for work using different pay rates. The annual rate of pay for such employees for life insurance purposes is based on their work schedule as follows:

   a. **Regular Schedule.** Annual pay for employees regularly scheduled to work at different pay rates, such as day and night rates or two positions at different rates for each position, is the weighted average of the rates at which the employees are paid, projected to an annual basis. A regular schedule may exist even though the schedule varies within a year or even within a pay period.

   b. **No Regular Schedule.** The annual pay of employees, who work at different pay rates but not on a regular schedule, is the annual rate the employee was receiving at the end of the pay period. In the event of death or dismemberment, it is the annual rate at the time of the death or accident.

4. **Annual Rate of Pay for Part-Time Employees.** A part-time employee’s annual pay for life insurance purposes is the employee’s basic pay applied to the tour of duty on record, based on the most recent SF 50, in a 52-week work year.

5. **Annual Rate of Pay for Employees Serving in More Than One Position at the Same Time.** If the employee legally services in more than one position at the same time and the employee is entitled to FEGLI for at least one of the positions, the annual rate of basic pay for life insurance purposes is the sum of the annual rate of basic pay fixed by law or regulation for each position. Certain exceptions apply. See 5 C.F.R. 870.204(g) and 110605.G.

**B. Optional Insurance.** An employee who has not waived Basic insurance may elect additional Optional life insurance. Optional insurance is not automatic, and employees must specifically elect coverage within 60 days after becoming eligible for coverage, unless a previous election or waiver from earlier employment remains in effect. The cost of Optional coverage depends on the employee’s age and is based on 5-year age bands beginning at age 35. Changes in rates based on age are effective on the first day of the first pay period following the pay period during which the employee’s birthday occurs. See 5 C.F.R. 870.504.

1. **Eligibility to Elect Optional Insurance.** An employee may elect one or more types of Optional life insurance coverage provided that:

   a. The employee is enrolled in Basic life insurance coverage;

   b. The employee does not have a waiver of that type of Optional insurance still in effect (or a waiver of that number of Option B or Option C multiples still in effect); and

   c. The employee’s pay, after all other deductions, covers the full cost.

2. **Types of Optional Life Insurance.** There are three types of optional insurance. See 5 C.F.R. 870.201.
a. **Option A (Standard Optional Insurance).** Option A coverage is available only for the employee and is fixed in the amount of $10,000.

b. **Option B (Additional Optional Insurance).** Option B coverage is available only for the employee and is an amount equal to 1, 2, 3, 4 or 5 times the employee’s annual basic pay after rounding to the next higher thousand if not an even thousand. The amount of coverage under this option automatically changes whenever the employee’s annual pay increases or decreases by an amount sufficient to raise or lower pay to a different $1,000 bracket.

c. **Option C (Family Optional Insurance).** Option C provides coverage for the death of an employee’s spouse or eligible dependent children. Eligible family members are automatically covered. The employee elects either 1, 2, 3, 4 or 5 multiples of coverage. Each multiple is equal to $5,000 for the spouse and $2,500 for each eligible dependent child. Payment is made to the insured employee.

### 110603. Effective Dates for Withholding Premiums and Coverage

Withholding of premiums for new employees begins with the same pay period during which coverage begins as follows:

A. **Basic Insurance.** Coverage is effective on the first day the employee enters on duty in pay status. See 5 C.F.R. 870.501(a)(1).

B. **Optional Insurance (all options).** Coverage is effective the first day the employee enters on duty in pay status on or after the date the HRO receives the election. See 5 C.F.R. 870.504(d).

### 110604. Effective Date of Waiver or Cancellation of FEGLI

At any time, an employee may waive Basic insurance, cancel any or all Optional insurance, or reduce the number of multiples under additional Optional insurance. Cancellation of Basic insurance automatically cancels all forms of Optional insurance. Coverage and deductions stop or are reduced effective the last day of the pay period in which the employee files an SF 2817, Life Insurance Election: Federal Employees’ Group Life Insurance Program. See 5 C.F.R. 870.502 to 870.505.

### 110605. FEGLI Premium Withholdings and Contributions

A. **General.** The cost of Basic insurance is shared between the insured employee and the Government. The employee pays two-thirds of the cost, and the government pays one-third. See 5 C.F.R. 870.401. The employee pays the full cost of all Optional insurance. OPM periodically reviews the cost of insurance and notifies agencies of premium rate changes.

B. **Amount of FEGLI Premium Withholding.** During each pay period in which an insured employee is in pay status for any part of the period, the PRO must withhold the
employee's share of the FEGLI premium from their biweekly pay. Premium withholding is subject to the following requirements.

1. **The amount of premium withholding is** based on the amount of insurance last in force during the pay period.

2. If the employee dies or separates during a pay period, the PRO bases the withholding on the amount of insurance in force on the date of death or separation.

3. If the employee’s BIA changes during the pay period, the PRO bases the withholding amount on the BIA last in force during the pay period.

4. If an employee works only a partial pay period, there is no pro-rated premium withholding.

5. If the employee works less than 52 weeks per year, the PRO must convert the biweekly rate to an annual rate. The PRO then prorates the annual rate over the number of pay periods in the year to determine the withholding amount.

6. The PRO must report withholdings and contributions for FEGLI to OPM each pay period as described in Chapter 9. See 5 C.F.R. 870, subpart D.

**C. Withholding FEGLI Premiums During Periods of Insufficient Pay**

1. **Short-term Periods of Insufficient Pay.** Withholdings will be made from an employee's salary when the employee is in pay status for any part of a pay period. If the salary is insufficient to permit all payroll deductions, the PRO must use the order of precedence for deductions in Chapter 4. After all other required deductions are made, if pay for a particular period is not enough to cover the full withholdings for life insurance premiums, the amount withheld must first be applied to Basic insurance. Any balance of pay remaining must then be applied to Optional insurance (first to Option B, then Option A, then Option C). See 5 C.F.R. 870.404(f).

2. **Extended Periods of Insufficient Pay.** A review and determination of insufficient pay must be made by the HRO when it is expected that an employee’s pay, after all other applicable deductions, is insufficient to cover the cost of the premiums for a period of 6 months or more. The HRO must notify the employee if an employee’s pay will be insufficient to cover FEGLI premiums over the course of 6 months or more. See **FEGLI Handbook.** The employee may wish to reduce or cancel other deductions from pay or may reduce FEGLI coverage in order to increase pay to cover the withholdings. An employee may elect to make direct payments to the employing office for periods when the pay is insufficient to cover the cost of the premiums. If the employee does not make direct payments, adjust, or cancel coverage, the HRO will terminate coverage as follows:

   a. The HRO will terminate all coverage if pay is not sufficient for any premium withholding.
b. If the employee has pay available to cover part of the premiums, the HRO will administratively terminate as much coverage as necessary to allow for premium withholdings in the following order:

(1) Multiples of Option C,
(2) Option A,
(3) Multiples of Option B, then
(4) Basic insurance.

c. Coverage terminates at the end of the last pay period during which premiums were withheld.

3. Reinstating FEGLI Premium Withholding When Pay is Sufficient. If the HRO terminates coverage administratively, the HRO will automatically reinstate FEGLI coverage when the employee’s pay becomes sufficient to cover the withholdings. If an employee paid premiums directly, the employing office must start withholding premiums from the employee’s pay as soon as the pay becomes sufficient.

D. Withholding FEGLI Premiums and FEGLI Coverage During Nonpay Status

1. Twelve Months of Free Coverage. When an employee enters a nonpay status, the employee is entitled to 12 months of free FEGLI coverage from the last date of pay. No premium payments are required if the employee is in a nonpay status for an entire pay period (unless the employee is receiving benefits from OWCP). See subparagraph 110605.F. Make-up withholdings from future salary payments are not required.

a. The employee’s coverage stops on the date the employee completes 12 months in a nonpay status, subject to the 31-day extension of coverage and right of conversion under subparagraph 110605.C. The 12 months in a nonpay status may be broken by periods of less than 4 consecutive months in a pay status.

b. The employee is entitled to begin a new period of 12-month coverage if the employee has at least 4 consecutive months in pay status after a period of nonpay status.

c. If the employee has exhausted the 12 months of FEGLI coverage while in a nonpay status and returns to duty for less than 4 consecutive months, the Basic insurance stops 32 days after the last day of the last pay period. See 5 C.F.R. 870.601(d).

2. Partial Pay Period. If an employee is in a nonpay status for part of a pay period, the full premium (for both Basic and Optional coverage) is withheld, and the Government contribution is paid.
3. **Withholding Premiums from Back Pay Awards.** Except under the circumstances described at subparagraph 110610.A, no FEGLI premium withholdings are made by the PRO from back pay awarded to an employee who was determined to be erroneously suspended or terminated from employment.

4. **Withholding Premiums when Employee on LWOP Accepts Temporary Employment in Another Position.** If an employee, who is entitled to 12 months of free coverage while in a nonpay status, accepts a temporary appointment to another position, in which he or she normally would be excluded from insurance coverage, insurance (Basic and Optional) continues.

   a. The amount of Basic insurance is based on whichever position’s salary is higher. The PRO takes withholdings from pay earned in the temporary position.

   b. When the employee has completed the 12 months of nonpay status from the first position that entitled the employee to free coverage, FEGLI coverage will terminate, even if the employee remains in the temporary position. If the temporary position ends before the 12-month period and the employee is still on LWOP from the first position, the free coverage under the first position continues until the employee is separated or until the end of the 12-month nonpay status. After the 12-month period, an employee is eligible for the 31-day extension period and the right to convert to private insurance. See 5 C.F.R. 870.508(b).

5. **Special Nonpay Situations.** Special nonpay situations involve employees appointed to employee organizations, state or local government, Indian tribal organizations, institutions of higher education, or when an employee transfers to an international organization. Employees in these special nonpay situations may elect to continue their FEGLI coverage for the duration of their appointment. If elected, coverage continues even if the employee remains in a nonpay status for more than 12 months.

   a. **Payment of Premiums.** If the employee elects to continue coverage, the employee must pay the premiums from the beginning of the nonpay status, and the employee is not eligible for 12 months of free coverage. Whether the government continues contributing depends on the appointment. See FEGLI Handbook and 5 C.F.R. 870.508.

   b. **Continued Coverage Not Elected.** If the employee does not elect to continue coverage, the employee is still eligible for 12 months of free coverage and coverage will terminate at the end of the 12-month period, the same as for any other employee in a nonpay status.

E. **Withholding FEGLI Premiums From LSL Payments upon Separation.** No insurance premium is withheld from the LSL payment when the employee separates from Federal service. However, if the employee has an established debt that is being collected due to the underpayment of premiums, the agency may collect the debt from the LSL payment.
F. Withholding FEGLI Premiums While Employee is Receiving Office of Workers' Compensation Program (OWCP) Payments

* 1. Twelve Months of Coverage as Employee. If an employee is in a nonpay status while receiving workers’ compensation benefits, the employee receives 12 months of coverage. HRO must notify OWCP of the type and amount of life insurance the employee has in effect. OWCP will make withholdings from workers’ compensation benefits when compensation begins, even during the first 12 months of nonpay status, at the same rate that was withheld from the employee’s salary. OWCP deductions for FEGLI will begin effective the first day of LWOP. See FECA Circular No. 12-05. The employing agency continues to pay the Government contribution until the employee separates from service or completes 12 months in nonpay status, whichever happens first. Thereafter, OPM pays the Government contribution. See FEGLI Handbook.

2. Continuing Coverage as an OWCP Compensationer. If FEGLI coverage stops after 12 months in a nonpay status or due to separation, under 5 C.F.R. 870.701, an OWCP compensationer may be eligible to continue Basic coverage (but not accidental death or dismemberment) and may continue or reinstate Optional insurance if:

a. The compensationer was insured during the 5 years of service immediately before the date of entitlement to compensation, or for the full period of service during which the employee was eligible to be insured if less than 5 years; and

b. The compensationer has not converted to an individual policy.

3. Requesting Continuation of Coverage. The compensationer must complete a SF 2818, Continuation of Life Insurance Coverage, as an Annuitant or Compensationer. The HRO must provide the compensationer with a copy of the SF 2819, Notice of Conversion Privilege, Federal Employee’s Group Life Insurance Program. The HRO must complete an SF 2821, Agency Certification of Insurance Status. The HRO must send the SF 2818 and SF 2821, a copy of the SF 2819, and all pertinent life insurance information from the employee’s file to OPM for verification of eligibility to continue coverage. If eligible, OPM’s Retirement Operations Center will serve as the “employing office” and will maintain the compensationer’s life insurance file. See 5 C.F.R. 870, subpart F.

4. Notice of Ineligibility. If the employee does not meet the requirements for continuation of life insurance (subparagraph 110604.F.3), HRO must notify OWCP by completing a “Notice of Life Insurance Ineligibility” and issue a copy to the employee. OWCP will stop withholding at the end of the 12 months of free coverage. If the employee separates before the end of the 12 months, the agency must notify OWCP so that withholdings will end. See FEGLI Handbook.

G. Withholding FEGLI Premiums for Employees in Concurrent Employment Positions. An employee who legally serves in more than one position at the same time, in either the same agency or different agencies, is eligible for coverage if at least one position is a covered
position. The amount of Basic and Option B insurance is based on the sum of annual pay for both positions (salaries are added together before rounding up to the next even thousand and before adding the additional $2,000 for Basic insurance). The agency paying the higher salary withholds the employee’s premium share and pays the Government contribution. If the employee goes into a nonpay status in an excluded position, at the end of 12 months in nonpay status, the amount of coverage is no longer based on the combined salary but is based solely on the salary from the covered position. If one of the positions is excluded from coverage, see the FEGLI Handbook.

110606.   FEGLI Daily Proration Rule

   A. General. The FEGLI Daily Proration Rule is a formula used to calculate partial employee withholdings and Government contributions for FEGLI premiums. Unless otherwise provided, the PRO deducts full withholdings and contributions for each pay period even if the employee is in pay status for only part of the pay period. The PRO uses the FEGLI Daily Proration Rule to compute partial withholdings and contributions under the following circumstances:

   1. The employee transfers to a position serviced by a different PRO other than at the beginning of a pay period or, the transfer involves two agencies that are on different pay schedules; or

   2. The employee retires other than at the end of a pay period.

   B. Application of the FEGLI Daily Proration Rule. The FEGLI Handbook provides examples for computing a prorated amount of withholdings and contributions using the Proration Rule. Each PRO is responsible for withholdings and contributions for the actual time the employee occupied the position that the PRO serviced. Each PRO (gaining and losing) must compute daily FEGLI premium withholding and contribution rates as follows:

   1. Determine the Daily Rate. To determine the Daily Rate for partial employee withholdings and Government contributions (for Basic insurance), multiply the biweekly employee withholding and Government contribution rates by 26, then divide by 364, the results will equal the daily rate. Use the denominator of 364 even during a leap year. The formula is as follows:

   Biweekly Employee Withholdings x 26 ÷ 364 = Daily Rate

   Biweekly Government Contributions x 26 ÷ 364 = Daily Rate

   2. Apply the Daily Rate to Formulas for Insurance Types. The PRO computes the Daily Rate using the formula discussed in subparagraph 110607.B.1. Once computed, the PRO must use the following formulas to determine the amount of withholdings and contributions (for Basic insurance) for which losing and gaining PROs are responsible:
C. **Active Employees.** Use the FEGLI Daily Proration Rule to determine the PRO’s (gaining and losing) responsibility for withholdings and contribution.

D. **Retiring Employees.** Withholdings and contributions depend on the employee's age at the time of retirement.

1. If the employee is under 65 years of age on the starting date of the annuity, the PRO will make Basic insurance withholdings and contributions and Optional insurance withholdings based on the following:

   a. If the annuity starts after the end of the pay period, the PRO will make full withholdings and contributions for the entire pay period. Withholdings and contributions are not required for the period between the end of the pay period in which the employee separates and the date the annuity begins. See 5 C.F.R. 870.404(b).

   b. If the annuity starts before the end of the pay period, the PRO will make withholdings and contributions through the day before the annuity commencement date using the FEGLI Daily Proration Rule.

2. If the employee is 65 or older on the starting date of the annuity, the PRO will make Basic insurance withholdings and contributions and Optional insurance withholding based on the post-65 election chosen by the employee.

   a. If the employee elects Basic insurance with the 75 percent reduction, the PRO will make withholdings and contributions through the end of the pay period in which the employee separates for retirement without any proration.

   b. If the employee elects Basic insurance with the 50 percent reduction, or no reduction, the PRO will make withholdings and contributions based on the starting date of the annuity, the same as for retiring employees under age 65.

   c. If the employee has Option A, the PRO will make the withholdings through the end of the pay period in which the employee separates for retirement without any proration.
d. If the employee has Option B or Option C and elects full reduction, the PRO will make withholdings through the end of the pay period in which the employee separates for retirement without any proration. If the employee elects no reduction for Option B or Option C, the PRO will make the withholdings based on the starting date of the annuity, the same as for retiring employees under age 65.

110607. FEGLI Termination, Cancellation, Extension or Conversion

A. Termination. Termination of FEGLI coverage is an involuntary action. An employee whose life insurance terminates receives a 31-day extension of coverage and a right to convert coverage. Termination does not affect an employee’s eligibility to continue coverage into retirement. Life insurance terminates when the following occurs:

1. The employee separates from service (see FEGLI Handbook for exceptions);
2. Pay is insufficient to make any premium withholdings, and the employee does not elect to make direct payments;
3. The employee completes 12 months in nonpay status, and the employee is not eligible to continue coverage;
4. The employee moves to a position that is excluded from FEGLI coverage; or
5. Upon the death of the employee.

B. Cancellation of FEGLI Coverage. Cancellation of life insurance coverage is voluntary. Employees who cancel coverage are not eligible to receive the 31-day extension of coverage or a right to convert the coverage. Cancellation of life insurance may affect an employee’s eligibility to continue life insurance coverage after retiring. See also section 110604.

1. Cancellation of Basic Insurance. An employee may cancel Basic insurance at any time by filing a waiver of Basic insurance coverage with their HRO. Coverage is canceled at the end of the pay period in which the waiver is properly filed. Cancellation of Basic insurance automatically cancels all forms of Optional insurance.

2. Cancellation of Optional Insurance. An employee may cancel Optional life insurance, or reduce the number of multiples under Option B, at any time by filing a waiver of Optional insurance coverage with their HRO. An employee will not receive a refund of premiums paid prior to the effective date of cancellation. Coverage terminates at the end of the pay period in which the employee files the waiver. Exception: if Option C is canceled because there are no eligible family members, the effective date is retroactive to the end of the pay period in which there were no longer any eligible family members. See 5 C.F.R. 870.505(b). Cancellation of Optional insurance does not cancel Basic insurance. The Barring Act (Statute of Limitations) at 31 U.S.C. § 3702 (b)(1) does not apply to retroactive refunds for Option C.
3. **Reinstating Insurance.** For detailed information concerning cancelling a waiver of coverage, see the FEGLI Handbook and *5 C.F.R. 870.503 - 870.505*.

C. **31-Day Extension of Coverage and Conversion.** When Basic and Optional insurance terminates, except by an employee’s waiver or cancellation, coverage automatically continues without cost for an additional 31 days. No withholding or Government contributions are required during the 31-day extension. An employee may convert to an individual policy and may convert any or all of his or her Basic and Optional coverage. Conversion is effective at the end of the 31-day extension of coverage. The employing agency must notify the employee of the loss of coverage and the right to convert to an individual policy either before or immediately after the event causing loss of coverage. See *5 C.F.R. 870.603*.

110608. **Office of Federal Employees' Group Life Insurance (OFEGLI) Requests for Pre-Payment Verification**

PROs must cooperate with the OFEGLI when it requests pre-payment verification. The OFEGLI is required to obtain verification before making payment to beneficiaries of enrollees with $200,000 or more of FEGLI coverage. OFEGLI will request the insured's current salary, annual salary (if different) and details on enrollment in Optional insurance, if applicable.

110609. **Continuation of Coverage for Federal Employees Called to Active Duty**

Effective January 28, 2008, for Federal employees called to active duty or active duty for training, FEGLI coverage continues for up to 24 months. See 5 C.F.R 870.601(d)(3). Coverage applies to a member of a Reserve component of the Armed Forces called or ordered to active duty for greater than 30 days and is on approved AUS to perform active duty or active duty for training.

A. **Months 1 through 12.** An employee called to active duty maintains continued FEGLI coverage for up to 12 months just as any other employee in a nonpay status. Employees do not pay for coverage during this 12-month period.

B. **Months 13 through 24.** An employee called to active duty must elect to have life insurance continue for an additional 12 months and must pay the employee and agency share of the premium from the beginning of the additional 12 months of coverage. An employee may cancel some or all of the coverage during this period. See *5 U.S.C. § 8706 (d)(1)*.

C. **Increasing Coverage.** Civilian employees eligible for FEGLI, who are deployed in support of a contingency operation, as defined at 10 U.S.C. § 101(a)(13), or DoD employees eligible for FEGLI, who are designated as emergency essential under 10 U.S.C. § 1580, may elect Basic, Option A and Option B, up to 5 multiples, within 60 days after the date of notification of deployment. See 5 C.F.R. 870.503(e) and (f).

D. **Termination.** At the end of the first 12 months, or 90 days after the military service ends, whichever is earlier, coverage will terminate unless the employee elects to continue coverage for the additional 12 months, subject to the 31-day extension of coverage and
right to convert to an individual policy. An employee may cancel an election at any time, in which case insurance will stop upon receipt of notice of cancellation.

E. Return to Federal Service. When the employee returns to active Federal service after military duty, the employee is afforded the same level of life insurance that was in place before the employee entered nonpay status or separated for military service, as long as the position is not excluded from coverage. HRO reinstates the same type of insurance even if the employee declined to continue coverage for the additional 12 months, reduced some or all of the coverage, or allowed coverage to terminate due to nonpayment.

110610. Retroactive Changes and Adjustment of Errors

A. Retroactive Changes to Pay

1. Erroneous Suspension/Removal and Back Pay Awards. If an employee is retroactively restored to duty with back pay after an erroneous suspension or removal, no life insurance premium withholding is made from the back pay award. However, if death or dismemberment occurred during the period of suspension or separation, the PRO must withhold premiums from the back pay. Additionally, if the employee had Option C coverage and a covered family member dies during the period of separation or removal, the PRO must withhold Option C premiums from the back pay award. See 5 C.F.R. 870.404(e) and the FEGLI Handbook.

2. Retroactive Pay Increase. If an employee receives a retroactive pay increase that was delayed beyond the effective date due to administrative error or oversight, and the pay increase resulted in higher life insurance premiums, deductions for the increased premium adjustment must be applied retroactively.

B. Adjustment of Errors for Overdeductions and Underdeductions of FEGLI Premiums

1. Current Employees

a. Overdeduction of FEGLI Premiums Owed. When the PRO erroneously overwithholds premiums from the salary of an employee, the PRO must refund the erroneous withholding to the employee the next pay period. This automatically corrects the excess Government contribution.

b. Underdeduction of FEGLI Premiums Owed. When less than or none of the proper amount of FEGLI premiums are withheld from the salary of the employee, the underdeduction represents an overpayment to the employee that must be collected as a debt. The collection of the debt may be exempt from due process requirements under 5 C.F.R. 550.1104(c). See Volume 16, section 030207 for additional information. The agency must submit the uncollected amount due, including the Government contributions, to OPM within 60 calendar days after the date the agency discovers the underdeduction, regardless of whether collection from the employee has been made. Government contributions must be adjusted when payment is received from the employee.
c. OWCP Compensationers. The procedures for refunding overdeductions and collecting underdeductions are the same for employees who are receiving compensation from the OWCP.

2. Separated Employees. When it is necessary for the PRO to make an adjustment in withholdings for a separated employee, the adjustment is withheld from the final salary payment to the employee (or if deceased, to the employee's beneficiary or estate).

C. Incontestability

1. General. Incontestability is a provision of law that allows erroneous coverage to remain in effect under certain conditions. See 5 C.F.R. 870.104. Coverage allowed to stand due to incontestability becomes valid coverage. Erroneous coverage always involves more coverage than an employee is entitled to receive or more than the employee elected. Incontestability does not apply to premiums being withheld for less coverage than an employee elected since such underwitholding is considered an overpayment of salary, annuity, or compensation. For purposes of incontestability, erroneous coverage may occur under the following circumstances:

   a. The employee was allowed to elect coverage when not entitled to do so;

   b. The SF 50 was coded incorrectly, giving the employee more coverage than he or she elected;

   c. The PRO collected premiums for a coverage that the employee did not elect on the election form; or

   d. OPM erroneously continued an employee’s coverage beginning when the employee became an annuitant or compensationer.

2. Requirements of Incontestability. An employee becomes insured under the provision of incontestability only if both of the following conditions are met:

   a. The erroneous coverage was in effect for at least 2 years between the time the error was made and the time the error is discovered; and

   b. The employee paid the applicable premiums for the erroneous coverage while it was in effect.

3. If Incontestability Applies and the Individual Does not Want Coverage. When incontestability applies, an employee may cancel the coverage, but only prospectively. The PRO will not refund the premiums for the erroneous coverage period unless the employee had erroneous Option C coverage and did not have any eligible family members. An employee may cancel erroneous Option C coverage retroactively and the PRO must refund any erroneous Option C premiums retroactive to when the employee ceased having eligible family members. The Barring Act does not apply.
4. When Incontestability Does not Apply. If the erroneous coverage is discovered before 2 years, incontestability does not apply and the coverage is not valid. The PRO must void the coverage and refund the premiums.

1107 FEDERAL LONG TERM CARE INSURANCE PROGRAM (FLTCIP)

110701. General

The Long-Term Care Security Act authorized OPM to design a long-term care insurance program for Federal employees and their families. See 5 U.S.C. § Chapter 90. OPM created the FLTCIP and contracted with the John Hancock Life Insurance Company as the carrier that provides Long Term Care (LTC) insurance. Long Term Care Partners, LLC (LTCP), a subsidiary of John Hancock, is the exclusive administrator of FLTCIP. See 5 C.F.R. Part 875 for additional information. LTC insurance provides coverage for eligible employees, annuitants, and qualified family members. Coverage applies to those who can no longer perform activities of daily living without assistance due to a chronic illness, injury, disability or the aging process as determined by the LTCP. LTC insurance pays a portion of the cost of covered services, such as home health care, adult day care, or nursing home or assisted living facility costs.

A. Duties of LTCP. The LTCP administers all aspects of the program. Eligible employees must submit their application directly to the LTCP for approval of coverage. The LTCP is responsible for:

1. Accepting and approving employee applications;
2. Answering employee questions about the program;
3. Maintaining their web site to include current information; and
4. Transmitting applicable payroll data for automatic payroll deductions.

B. Duties of Federal Agencies. Federal agencies are responsible for the following:

1. Providing access to information about the FLTCIP to eligible employee;
2. Responding to questions from the LTCP including questions on the employment status of an applicant or enrollee;
3. Providing reports as OPM requires;
4. Complying with BALs and other OPM issuances; and
5. Deducting premiums as authorized by employees and remitting those payments on a biweekly basis to the LTCP.

110702. Eligibility and Cost

A. Eligibility. Participation is voluntary and elections must be made through LTCP. Most Federal civilian employees are eligible to apply for the LTC coverage. If an employee is eligible for the FEHB program, the employee is also eligible to apply for LTC insurance through FLTCIP, even if not enrolled in FEHB. Retirees are eligible to apply. Eligibility also extends to qualified relatives including spouses and adult children of eligible employees and retirees, as well as parents, parents-in-law, and stepparents of current employees. Qualified relatives may apply for coverage even if the employee does not apply.

B. Cost of Coverage. The employee pays the full cost of LTC insurance and there are no Government contributions toward LTC insurance premiums. LTC premiums are based on both the employee’s age and the cost of options that the employee selects.

110703. Coverage and Payment Options

A. Effective Date of Coverage. If LTCP approves the employee’s application for coverage, the LTCP will send approval notification to the employee and provide the employee with an effective date of coverage. If enrollment occurs during open season, the effective dates of coverage are announced. If enrollment occurs any time outside of open season, coverage is effective the first day of the month after the approval date of the application. Additional requirements apply for active workforce members who apply for coverage under abbreviated underwriting and for those employees whose eligibility changes prior to their announced effective date of coverage. See 5 C.F.R. 875.404.

B. Payment of Premiums

1. Payment Options. An employee who qualifies for participation in the LTCIP may choose from three payment options:

   a. Payroll deduction;

   b. Automatic bank withdrawal; or

   c. Direct billing.

2. Payroll Deductions. If premiums are paid through payroll deductions, deductions begin on the first full pay period on or after the effective date of coverage. Payroll deductions for LTC premiums occur each biweekly pay period until the employee separates, transfers, or elects a different payment option.

3. Correcting Underpayments and Overpayments. If the carrier determines that the employee has underpaid premiums, the employee will pay retroactive premiums to the carrier for the amount due. If the Carrier determines that the employee has
overpaid premiums, the Carrier will reimburse the employee or reduce future premium payments by the amount of the overpayment. See 5 C.F.R. 875.303.

C. Transferring Employees. Employees transferring to a new agency must notify LTCP regarding where and when the transfer will occur. The employee’s current payroll deductions will continue until the separation action processes. An employee will automatically receive a direct bill from the LTCP for any premiums not collected through payroll deduction due to the transfer. Payroll deductions are not adjusted to “catch-up” uncollected premiums.

1108 DISABILITY INSURANCE FOR EMPLOYEES OF THE UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES (USUHS)

Full-time civilian faculty members appointed to an Administratively Determined (AD) position of the USUHS School of Medicine receive mandatory coverage under a long-term disability insurance plan. In order to participate in the long-term disability insurance plan, the employee must be covered under the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) or the Fidelity Investments program. The employer and employee share the cost of the disability insurance and each contributes 50 percent of the premium. USUHS AD employees covered under FERS or CSRS are not eligible for the long-term disability insurance plan.

1109 NATIONAL GUARD ASSOCIATION OF UNITED STATES (NGAUS) INSURANCE TRUST (IT) PROGRAM

Army and Air National Guard Technicians (Title 32 Technicians) may choose to participate in the NGAUS-IT, which provides disability and life insurance products through its underwriter, ReliaStar Life Insurance Company. Technicians should contact their HRO or NGAUS-IT for enrollment instructions and forms. Technicians who participate agree to have premiums deducted from their biweekly pay on the NGAUS-IT enrollment form. CSRs work closely with ReliaStar Life Insurance Company, which confirms the approval of enrollment and provides the CSR with start dates and amounts of payroll deductions. ReliaStar will notify CSRs of any revisions to premium deductions due to age or salary changes. CSRs enter the appropriate premium deduction information into the Defense Civilian Pay System. PRO deducts premiums for the entire pay period, regardless of the day of termination, and proration is not required.

1110 THRIFT SAVINGS PLAN (TSP)

111001. General

The Federal Employees' Retirement System Act of 1986 established the TSP, a retirement savings and investment plan for Federal employees. See 5 U.S.C. Chapter 83, Chapter 84 and 5 C.F.R. Part 1600. TSP offers eligible employees traditional tax deferral advantages as well as a Roth-TSP option. The Federal Retirement Thrift Investment Board administers the plan. FERS, CSRS, and CSRS-Offset employees are eligible to participate in the TSP. TSP benefits depend on an employee’s retirement system. If the employee’s coverage is under CSRS, TSP is a supplement to the CSRS annuity. If the employee’s coverage is under FERS, TSP is part of the
three-part retirement package that includes the FERS basic annuity and Social Security. See also TSP guidance for additional information.

111002. Establishing a TSP Account, Contribution Elections, and Automatic Enrollment

* A. FERS Employees Hired after July 31, 2010. FERS employees (including FERS or CSRS rehired employees) hired after July 31, 2010, are automatically enrolled in TSP. The PRO deducts 3 percent of the employee’s basic pay each pay period and deposits the funds into the employee’s TSP account. The employee must make a contribution election to stop or change the contribution. FERS employees also receive contributions from the Government. As a result, the employee receives a deposit equaling 7 percent of basic pay in their TSP account each pay period. TSP invests all contributions in the age appropriate Lifecycle (L) Fund until the employee changes the contribution allocation with the TSP. See TSP Bulletin 15-2.

B. FERS Employees Hired Before August 1, 2010. The agency establishes a TSP account accruing Agency Automatic (1 percent) Contributions for FERS employees hired before August 1, 2010. Employees must make a contribution election in order to begin employee contributions and to receive Agency Matching Contributions.

C. CSRS Employees. CSRS employees may make a TSP contribution election at any time through their HRO in order to establish a TSP account. CSRS employees do not receive Agency Automatic (1 percent) Contributions or Agency Matching Contributions.

* D. Contribution Elections. A contribution election is used by an employee to start, stop, or change employee contributions. The employee may elect to contribute at any time as instructed by the employing agency, by submitting a paper election form or by using electronic media (such as the Employee Benefits Information System). An election may not exceed the maximum contribution limit under 5 C.F.R. 1600.22. The contribution election may be a percentage of basic pay or a dollar amount that is deducted each biweekly pay period. Percentages and dollar amounts must be expressed in whole numbers. Contribution elections are effective the first full pay period after the agency receives the election. The TSP-1 Election Form and the TSP-1-C Catch-Up Contribution Election Form are available at TSP.gov.

111003. TSP Contributions

A. General. TSP contributions come from three sources: employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions. Additional information on employee contribution elections, contribution allocations, and agency automatic and matching contributions can be found in 5 C.F.R.1600 and 1601 or at TSP.gov.

B. Employee Contributions. Employee Contributions are payroll deductions taken from an employee’s basic pay before taxes are withheld. The PRO withholds contributions each pay period in the amount directed by the employee (or the 3 percent automatic enrollment amount if no election is made). An employee is immediately vested in his or her own
contributions and any accrued earnings on such contributions. Maximum contribution limits are as follows:

1. **Internal Revenue Service (IRS) Limits.** Contribution amounts are subject to the Internal Revenue Code (IRC) limitations on the maximum dollar amount of contributions. The limits set by the IRS may change annually and published at TSP.gov. See 5 C.F.R. 1600.22.

2. **Contribution Limits Through 2005.** The maximum employee contribution for FERS, CSRS and CSRS-Offset participants was limited through 2005 to a percentage of basic pay. After 2005, the IRS began setting contribution limits. Additional information regarding FERS limits for 2005 and before can be found at 5 U.S.C. § 8432(a)(2), 5 U.S.C. § 8351(b)(2)(B), and 5 C.F.R. 1600.22.

3. **Catch-up Contributions.** A TSP participant age 50 or older may be eligible to make tax-deferred catch-up contributions from basic pay that are separate from the participant’s regular contribution election. Catch-up contributions for FERS employees are not eligible for Agency Matching Contributions. Catch-up contributions are subject to limits set by the IRS and may be made at any time during the calendar year if the employee is:
   
   a. At least age 50 by the end of the calendar year;
   
   b. Making regular TSP contributions at a rate that will result in the participant making the maximum regular contributions permitted under the IRC; and

C. **Agency Automatic (1 Percent) Contributions.** Beginning with an employee’s first pay period, an agency contributes an amount equal to 1 percent of the employee’s basic pay to the employee’s TSP account each pay period. For employees hired on or after December 1, 2008, *The TSP Enhancement Act of 2009* eliminated the waiting period for FERS employees to receive the Agency Automatic Contributions. The agency contribution is not deducted from the employee’s pay, nor is it used to determine tax owed by the employee. CSRS employees do not receive an agency contribution. Generally, most FERS employees become vested and entitled to the Agency Automatic Contributions, and associated earnings, after completing 3 years of service. If an employee:

   1. Dies before separating from service, he or she is automatically vested in all of the money in the employee’s TSP account; or
   
   2. Separates from Federal service; the employee must meet the TSP vesting requirement in order to keep Agency Automatic Contributions and associated earnings.

D. **Agency Matching Contributions.** Employees covered under FERS will receive Agency Matching Contributions on the first 5 percent of pay that the employee contributes each pay period to their TSP account. The agency matches the first 3 percent of pay the employee contributes dollar for dollar. The agency matches the next 2 percent of pay at 50 cents
per dollar. The agency does not match the employee contributions above 5 percent. Employees covered under CSRS do not receive Agency Matching Contributions.

E. Contribution Allocations. Employees may make a contribution allocation directing how money deposited into the employee’s TSP account is to be invested. This applies only to future deposits and does not affect funds already in the account (an Interfund Transfer reallocates existing investments). The allocation directs the investment of employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions. The allocation remains in effect until superseded by a subsequent contribution allocation submitted by the employee. Allocations must be in 1 percent increments and the sum of the percentages elected must equal 100 percent. An employee may change an allocation using the TSP website or using ThriftLine (the automated system or speaking to a TSP Participant Service Representative). Employees may allocate investments among any of the following TSP investment funds:

1. Government Securities Investment (G) Fund;
2. Fixed Income Index Investment (F) Fund;
3. Common Stock Index Investment (C) Fund;
4. Small Capitalization Stock Index Investment (S) Fund;
5. International Stock Index Investment (I) Fund; and
6. Lifecycle (L) Funds.

111004. TSP Loan Program

A. General. The TSP Loan Program allows employees to borrow money from their TSP account while actively employed by the Federal government. TSP participants must apply for a TSP loan and must meet the eligibility criteria set forth in 5 C.F.R. 1655.2. Employees may not have more than two outstanding loans at any time and must set-up loan payments through payroll deduction. Repayment must restore the original loan amount, plus interest. Deductions for repayment each pay period is in the amount set out in the Loan Agreement. An employee may make additional payments and may pay off the loan early by making payment directly to TSP.

B. Types of TSP Loans. There are two types of TSP loans authorized under the TSP loan program, the general purpose loan and the residential loan.

1. General Purpose Loans. General purpose loans may be used for any purpose. Obtaining the loan requires no documentation. The repayment term is 1 to 5 years.

2. Residential Loans. Residential loans may be used only for the purchase or construction of a primary residence. Residential loans require documentation regarding the cost of purchasing or constructing the residence and other documentation as requested by TSP. The repayment term is 1 to 15 years.
C. Borrowing Limits for TSP Loans

1. Minimum Loan amount. The initial principal amount of any loan cannot be less than $1,000.

2. Maximum Loan amount. The principal amount of a new loan must be less than or equal to the smallest of the following:
   a. The employee’s own contributions and earnings on those contributions in the employee’s TSP account balance, not including any outstanding loan balance;
   b. Fifty percent of the employee’s vested account balance, including outstanding loan balance or $10,000, whichever is greater, minus any outstanding loan balance; or
   c. $50,000 minus the employee’s highest outstanding loan balance, if any, during the last 12 months.

111005. In-Service Hardship Withdraw

Employees who meet eligibility requirements may make a financial hardship withdrawal from their TSP account. After making the withdrawal, the employee cannot make employee contributions to their TSP account for 6 months. FERS participants will not receive any Agency Matching Contributions for the period during which the employee is not making employee contributions. However, Agency Automatic (1 percent) Contributions will continue. An employee cannot return or repay the money removed from the TSP account. See 5 C.F.R. 1650.32.

*111006. Correction of Late Contributions.

A. Late Contributions. A late contribution is a contribution that is timely deducted from an employee’s basic pay, but is not timely reported to the TSP for investment. A late contribution may also result from an employee contribution that was timely reported to TSP, but was not timely posted to the participant’s account by TSP because the payment record submitted contained errors. See 5 C.F.R. 1605.2.

B. Corrections. The PRO must submit late contributions to TSP as soon as the error is discovered. The PRO must show the “as of” date for the contributions. Breakage for both the employee and agency contributions is calculated by TSP. See 5 C.F.R. 1605.15.

*111007. Correction of Employing Agency Errors

A. General. Agency errors occur when an agency either erroneously submits less contributions to a TSP participant’s account than it should have or more than it should have. An error is an act or omission by TSP or the employing agency that is not in accordance with applicable statues, regulations, or administrative procedures. It does not mean an act or omission
caused by events that are beyond the control of TSP or the employing agency. It is the responsibility of the employing agency to determine whether it has made an error that entitles a TSP participant to a correction for missed or insufficient contributions. See 5 CFR 1605, subpart B.

B. Missed or Insufficient Contributions. Types of errors resulting in missed or insufficient contributions include, but are not limited to, when the agency actions prevent an employee from making an election to contribute, when the agency fails to implement an election properly submitted, or when the agency fails to make agency automatic or matching contributions. See 5 C.F.R. 1605.11. If, as a result of an agency error, a participant does not receive all of the TSP contributions to which he or she is entitled, the following applies:

1. Employer Makeup Contributions. An agency is required to correct any agency automatic (1%) contributions and agency matching contributions it failed to make. The PRO should promptly submit all missed contribution to TSP. TSP will calculate breakage due the participant and post the contributions and breakage to the participant’s account. See 5 C.F.R. 1605.11. See subparagraph 111006.B for information concerning breakage.

2. Employee Makeup Contributions. Missed or insufficient contributions that are the result of an agency error are corrected prospectively. The agency must notify the TSP participant if he or she is eligible to make up the missed contributions and receive matching agency contributions (if applicable). Employee contributions may only be made through future payroll deductions from basic pay. Contributions by check, money order, cash or other form of payment directly from the participant to TSP or to the employing agency for deposit into TSP are not permitted. There is no payment of breakage on makeup employee contributions for missed or insufficient contributions. The employee will receive the tax benefit in the year the contributions are made up.

3. Notification to Employee. The PRO should issue a written notification to the employee indicating that the agency acknowledges that an error has occurred which has caused a smaller amount of employee contributions to be made to the participant’s account than should have been made. The agency must advise the employee that he or she may, but is not required, to elect to establish a schedule to make up the deficient contributions through future payroll deductions. An employee has 30 days from the date the notification was received to set up a schedule to make up any deficient contributions.

4. Repayment Schedule. An agency may not require a TSP participant to make up contributions in less than twice the number of pay periods over which error occurred. The maximum length of the repayment schedule may not exceed four times the number of pay periods over which the error occurred.

C. Removal of Excess or Erroneous Contributions. Generally, an agency must submit a negative adjustment record to TSP in order to identify and remove excess or erroneous contributions for each pay date. TSP will credit the agency with the actual value of the adjusted contribution. The agency must return the original amount of the employee contribution to the participant if applicable. Any positive earnings on employee contributions remain in the
participant’s account. Positive earnings on agency contributions are forfeited to TSP. Excess or erroneous contributions submitted to TSP before January 1, 2000, may not be returned and remain in the participant’s account. See 5 C.F.R. 1605.12.

111008. Corrections Following an Award of Back Pay or Retroactive Pay Adjustment

A. Erroneously Separated Employee. An erroneously separated employee may request that any employee contributions not made during the period of erroneous separation be deducted from his or her back pay award. See 5 C.F.R. 1605.13. If the employee elects to make up contributions for the back pay period, the HRO will either reinstate the employee’s contribution election on file at the time of separation, or the employee may submit a new contribution election if he or she would have been eligible to make such an election but for the erroneous separation. The TSP makeup contributions are subject to the following requirements:

1. Breakage is paid on all makeup contributions, both employee and agency, at the G Fund rate of return, unless otherwise specified by the agency or reinstatement order.

2. The employee will receive the tax benefit in the year the contributions are made. The PRO must annotate retroactive employee contributions by year on the IRS Form W-2, Wage and Tax Statement.

3. TSP will not accept retroactive contributions for erroneous separations directly from the Department of Justice Judgment Fund or by check, money order, cash or other form of payment directly from the participant or agency.

4. If, by error, back pay is paid to an employee prior to making TSP contribution deductions, an individual who is still employed with the agency may make up the missed contributions through future payroll deductions.

B. Other Retroactive Pay Adjustments. The agency must deduct TSP contributions from the pay adjustment using the employee’s election on file for the period of the pay award. Breakage is calculated based on the contribution allocation on file when the contribution would have been made. See 5 C.F.R. 500.1605 and subparagraph 111010.

111009. Corrections due to Misclassification of Retirement System Coverage. An employee that has his or her retirement system coverage misclassified by the employing agency is entitled to have their record corrected.

A. Misclassified as FERS. When the CSRS employee is misclassified as a FERS participant, the following applies to the corrected record:

1. Employee contributions that exceed any applicable contribution percentage for the pay periods involved may remain in the employee’s account. The employee may request the return of excess employee contributions made on or after January 1, 2000, but contributions made before January 1, 2000, must remain in the employee’s account.
2. TSP will forfeit agency contributions made to the CSRS employee’s account.

B. Misclassified as CSRS. When the HRO misclassifies a FERS employee as a CSRS participant, the following applies to the corrected record:

1. The employee may not elect to have the contributions made while misclassified as a CSRS participant removed from the account.

2. The employee may elect to make up contributions that he or she would have been eligible to make as a FERS employee during the period of misclassification.

3. The employing agency must make Agency Automatic (1 percent) Contributions and Agency Matching Contributions on employee contributions made while the employee was misclassified.

4. If the misclassified coverage is a Federal Erroneous Retirement Coverage Corrections Act (FERCCA) correction, the employing agency must submit makeup employee contributions on late payment records. The employee is entitled to breakage on employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions.

5. If the misclassification coverage is not a FERCCA correction, the employing agency must submit makeup employee contributions on current payment records. The employee is not entitled to breakage on employee contributions, but breakage is required for retroactive agency contributions.

6. If employee contributions were made up before OPM implemented regulations on FERCCA corrections and the correction is considered to be a FERCCA correction, an amount to replicate TSP lost earnings will be calculated by OPM and provided to the employing agency for transmission to the TSP record keeper.

C. Misclassifications that are Corrected to Federal Insurance Contribution Act (FICA) Only. If the HRO misclassifies the employee as either FERS or CSRS and later corrects the retirement coverage to FICA only, the employee is no longer eligible to participate in TSP. For regulations regarding employee and agency contribution in the employee’s account, see 5 C.F.R. 1605.14(c).

D. Misclassified as FICA Only. If the HRO misclassifies the employee as FICA only and later corrects the retirement coverage to either FERS or CSRS, the employee may elect to make up contributions that he or she would have been eligible to make as a FERS or CSRS employee during the period of misclassification.

111010. Breakage

A. General. Breakage, also referred to as “lost earnings,” is the loss incurred or the gain realized on makeup or late contributions. Breakage for both the employee and agency
contributions is calculated, posted and charged to the agency or forfeited to TSP in accordance with 5 C.F.R. Part 1605.2. This includes breakage on late contributions, makeup agency contributions, and loan payments. When breakage is payable, breakage calculations are subject to the following requirements:

1. The contribution is submitted to TSP for deposit more than 30 days from the original pay date.

2. The net contribution (employee and agency combined) is at least $1.00.

B. Posting of Multiple Contributions. If the TSP posts multiple makeup or late contributions, or late loan payments with different “as of” dates for a participant on the same business day, the amount of breakage charged to the employing agency or forfeited to the TSP will be determined separately for each transaction, without netting any gains or losses attributable to different “as of” dates. In addition, gains and losses from different sources of contributions or different TSP Funds will not be netted against each other. Instead, breakage will be determined separately for each “as of” date, TSP Fund, and source of contributions. This is done to provide clarity due to multiply occurrences and to provide the employee complete information in order to make accurate and sound decisions.

111011. Contributions Missed as a Result of Military Service under USERRA

A. Employee Contributions. Upon their return to service, FERS and CSRS Employees who separated from Federal civilian service or who were on AUS in order to perform military service may be eligible to make up employee contributions (including any catch-up contributions for employees age 50 or older) missed because of their military service. FERS employees are eligible to receive matching agency contributions.

1. The PRO must deduct employee contributions from future pay. Employees must meet conditions specified in 5 C.F.R. 1620.40. The allowable amount of any makeup contributions will be offset by the dollar amounts an employee contributed to TSP while on active duty. Total contributions may not exceed the IRS limit in effect the year the contribution would have been made.

2. Upon reemployment or return to a pay status after military service, an employee has 60 days to elect to make up any missed contributions. Missed employee contributions are made up in accordance with 5 C.F.R. 1605.11(c). Employees who wish to make up contributions under this authority should review the information on the TSP website regarding Resuming and Making Up Contributions and 5 C.F.R. 1605.31.

B. Agency Automatic (1 percent) Contributions. The agency must deposit the Agency Automatic (1 percent) Contribution a FERS employee would have been eligible to receive during the period of AUS or separation. The contribution is based on the basic pay the employee would have earned and is entitled to breakage.
C. Agency Matching Contributions. The agency must deposit matching contributions based on the amount a FERS employee contributed to the uniformed services account from his or her military basic pay. Amounts contributed from other sources (such as uniformed services incentive, special, or bonus pay) are not used to determine Agency Matching Contributions. The agency pays matching contributions on any makeup employee contributions made after the employee returns from military service (unless the maximum matching has already been received). Agency Matching Contributions are entitled to breakage.

1111 POST-56 MILITARY DEPOSIT

*111101. General

A. Background. On January 1, 1957, Social Security began using military service in the computation of Social Security benefits. As a result, Federal (employee) retirees with an annuity that included credit for military service performed after 1956 lost credit for time spent in military service when they became entitled to Social Security benefits. In 1982, Congress enacted a law allowing Federal employees who were also veterans with post-1956 military service to pay a deposit into FERS or CSRS to avoid the loss of their military service credit.

B. Post-56 Military Deposit. An employee must pay a deposit prior to retirement for military service performed after December 31, 1956, or the military service will not count toward the CSRS or FERS retirement annuity. This deposit is referred to as the Post-56 Military Deposit. Making the Post-56 Military Deposit allows an employee to receive credit for military service under both Social Security and CSRS or FERS.

C. Authoritative Guidance. See 5 U.S.C. § 8334(j) and 8422(e)(1)(A); 5 C.F.R. 831.2101-2107 and 842.307; and Chapter 23 of the CSRS and FERS Handbook.

* D. Post-56 Deposit Payments. The employee may make a Post-56 Military Deposit in installment payments or a lump sum payment. Installment payments must be in whole dollar amounts not less than $25 per pay period, except for the last payment that may be in any amount to complete repayment. Unpaid balances are subject to interest calculations, and OPM issues annual guidance concerning the rate of interest to use. The employee must submit payments, other than payroll deductions, directly to:

DFAS-Cleveland
ATTN: J3DCBB/559
1240 E. 9th Street
Cleveland, OH 44199.

The payment must be in the form of a negotiable instrument. Mailed payments must be received by the disbursing officer by the close of business on the last regular business day before the interest accrual date. The date of receipt by the disbursing officer will constitute the date of payment, not the date of the postmark. The PRO computes interest on the unpaid balance on the employee’s interest accrual date.
1. **Timing of Payment.** Employees must complete the deposit for military service prior to separation from service. If an employee dies, but was eligible at the time of death to make a deposit, the employee's survivor may make the deposit in one lump sum to the former employing agency before OPM completes adjudication of the survivor annuity application.

2. **Administrative Errors.** An employee, who was eligible to make a deposit for military service but failed to complete the deposit prior to separation due to an administrative error may complete the deposit in a lump sum if OPM determines an agency error occurred. If, after separation, a retiree requests to make a deposit and OPM determines that an agency error occurred, OPM will issue a letter to the agency. This letter will explain the administrative error in detail and advise the agency to compute and accept the Post-1956 Military Service Deposit. See *BAL 13-103*.

### 111102. FERS Post-56 Military Deposit (“Buy Back”)

**A. General.** A FERS employee may receive credit for post-1956 military service under FERS rules only if he or she makes a Post-56 Military Deposit equal to 3 percent of the military basic pay he or she earned during the period of military service, plus interest. The deposit is required in order to receive credit for military service performed after December 31, 1956. The deposit is necessary to get credit for both FERS eligibility and annuity computation purposes. No deposit is due for military service performed before January 1, 1957. The employee is not charged interest if the deposit is paid in full before the first interest accrual date (IAD). Interest accrual starts and is compounded annually beginning 2 years from the date of the first employment under FERS.

**B. Interest Accrual Dates (IADs).** For FERS employees first employed prior to January 1, 1987, interest started to accrue on January 1, 1989. Therefore, the initial IAD for these employees is January 1, 1990. For employees first employed on or after January 1, 1987, interest began to accrue 2 years from the date the employee was first employed and subject to FERS. Therefore, the initial IAD for these employees is 1 year after the 2-year interest free grace period ends.

### 111103. CSRS Post-56 Military Deposit (“Buy Back”)

**A. General.** A CSRS employee first employed on or after October 1, 1982, will receive credit for post-1956 military service only if he or she makes a Post-56 Military Deposit equal to 7 percent of the military basic pay earned during the post-1956 military service, plus interest. Employees first employed under CSRS before October 1, 1982, have the option of making deposits for post-1956 military service and avoiding a possible annuity reduction.

**B. Interest Accrual Dates.** For CSRS employees, interest begins to accrue on the military service deposits on October 1, 1985, or 2 years after an employee is first employed or reemployed after a period of military service in a position subject to CSRS. The IAD is the date each year when the PRO adds the accrued interest to the amount owed by the employee. The initial IAD is the date 1 year after the end of the interest free grace period. Thereafter, the IAD
falls on the anniversary of the first IAD until the employee pays the deposit in full. The employee is not charged interest if the deposit is paid in full before the first IAD.
**VOLUME 8, “DEFINITIONS”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated February 2014 is archived.

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<th>PARAGRAPH</th>
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<tr>
<td>Multiple</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Update</td>
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<tr>
<td>Absent-Uniformed Service</td>
<td>Changed the term Military Furlough to Absent-Uniformed Service for consistency within Volume 8.</td>
<td>Revision</td>
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<tr>
<td>Administrative Offset</td>
<td>Replaced the word “money” with “funds” and reversed the parenthesis for better flow.</td>
<td>Revision</td>
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<tr>
<td>Credit Hours</td>
<td>Inserted the word “Hours” to the definition for clarity.</td>
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<tr>
<td>Customer Service Representative</td>
<td>Inserted the words “and/or Human Resources Office” to the definition for clarity.</td>
<td>Addition</td>
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<tr>
<td>Fair Labor Standards Act</td>
<td>Changed name of reference for clarification.</td>
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<tr>
<td>Source Data Automation File (SDA)</td>
<td>Deleted definition due to the term is no longer in the DoD FMR.</td>
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<tr>
<td>Thrift Savings Plan (TSP) Loan</td>
<td>Added the words “Funds” and “may borrow funds from” for clarification.</td>
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DEFINITIONS

Absence Without Leave (AWOL)

Absence from a place of duty without permission or authorization.

*Absent-Uniformed Service

Absence due to extended active duty for service with the Armed Forces.

*Administrative Offset

Withholding funds payable by the United States (U.S.), or held by the U.S. to satisfy a balance owed by a debtor to the U.S. This includes offset from disposable pay (salary).

Administrative Workweek


Advance of Pay

Single lump-sum payment authorized with each permanent change of station to a post in a foreign area.

Agency

An Executive agency or military department as defined by 5 U.S.C. § 102, § 105, § 5541, and 5 C.F.R. § 550.103.

Advanced Compensatory Time for Religious Reasons

Compensatory time requested by the employee and granted by the supervisor for the employee to meet religious requirements. See 5 U.S.C. § 5550a.

Allotment

A recurring, specified deduction from pay, authorized by a civilian employee, to be paid to an allottee.

Allottee

A person or institution to whom an allotment is made payable.
Alternative Work Schedule (AWS)

An arranged tour of duty that varies from a regular tour of duty and includes flexible and compressed work schedules. See the U.S. Office of Personnel Management (OPM) website.

Annuitant

A retired federal employee or his/her survivor who is receiving payments from OPM.

Appropriated Fund

The amount that agencies may obligate during the period of time specified in a particular appropriation act.

Availability Pay

Premium pay provided for criminal investigators in job series 1811 and 1812 who are required to work, or be available to work, substantial amounts of unscheduled overtime duty based on the needs of the employing activity.

Base Realignment and Closure (BRAC)

The congressionally authorized process under 10 U.S.C. § 2687 that gives the Secretary of Defense the authority to reorganize the base structure to more efficiently and effectively support the forces, increase operational readiness, and facilitate new ways of doing business.

Basic Pay

Also referred to as “base pay.” Basic pay is the total amount of pay received at a rate fixed by law or administrative action for the position held by the employee. Basic pay does not include certain types of pay, for example: bonuses, allowances, overtime or holiday pay.

Basic Work Requirement

The number of hours, excluding overtime hours, which an employee must work or otherwise account for by leave, credit hours, holiday hours, excused absences, compensatory time off, or time off as an award. See 5 U.S.C. § 6121.

Basic Workweek

For a full-time employee, a basic workweek is the 40-hour workweek established in accordance with 5 C.F.R. § 610.111. Unless specifically designated, a basic workweek for full-time employees is five 8-hour days, Monday through Friday. See 5 C.F.R. § 610.121.
Beneficiary

For purposes of Volume 8, a beneficiary is the person or persons authorized by law to receive the employee’s unpaid compensation. Person or persons may include a legal entity, or the estate of the deceased employee. See 5 C.F.R. § 178.203 and 5 U.S.C. § 5582.

Buy-Back of Leave

The process by which an employee makes arrangements with the civilian payroll office (PRO) to repurchase sick or annual leave that was used by the employee, prior to the approval of his or her claim for compensation under the Federal Employees’ Compensation Act at 5 U.S.C. Chapter 81.

Calendar Year

The period starting January 1 and ending December 31.

Civil Service Retirement System (CSRS)


Civil Service Retirement System Offset (CSRS-Offset)

The plan for federal employees whose service is subject to CSRS deductions and Social Security taxes, as described under 5 U.S.C. § 8349. CSRS-Offset employees are covered by Social Security because they were separated from CSRS covered federal employment for more than 1 year and returned to a position in which they were covered by CSRS after 1983. Old-Age, Survivors, and Disability Insurance (OASDI) withholdings are offset from their CSRS contributions so that the combined Social Security and CSRS contributions are the same as for employees who have CSRS coverage only.

Commercial Garnishment

For purposes of Volume 8, a commercial garnishment is the process by which a Federal agency withholds pay from a federal civilian employee pursuant to 5 U.S.C. § 5520a in order to honor a garnishment order or similar legal process issued by a court of competent jurisdiction in the enforcement of a commercial debt against the employee.

Compensatory Time Off

Time off granted in lieu of pay for an equal amount of time spent in irregular or occasional overtime work. See 5 U.S.C. § 5543.

Compressed Work Schedule
For a full-time employee, consists of an 80-hour biweekly basic work requirement scheduled by an agency for less than 10 workdays. For a part-time employee, denotes a biweekly basic work requirement of less than 80 hours scheduled by an agency for less than 10 workdays. See 5 U.S.C. § 6121(5).

Continental United States (CONUS)

The 48 contiguous states and the District of Columbia.

Continuation of Pay

Payment made to an employee during an absence from the job due to a traumatic on-the-job injury.

Core Hours

Designated hours and days during which an employee covered by a flexible work schedule is required to be present for duty. See 5 U.S.C. § 6122(a)(1).

*Credit Hours

Hours an employee elects to work with supervisory approval that are in excess of the employee’s basic work requirements under a flexible work schedule. See 5 U.S.C. § 6121(4).

*Customer Service Representative (CSR)

The liaison between the employee and the PRO and/or Human Resources Office that provides assistance in resolving pay and leave issues.

Data Element

A named identifier and attributes for each of the entities represented within the Defense Civilian Pay System (DCPS).

Debt

Any amount of money or any property owed to a Department of Defense (DoD) Component or another Federal agency by any person, organization, or entity except another Federal agency. Debts include insured or guaranteed loans and any other amounts due from fees, leases, rents, royalties, services, sales of real or personal property, or overpayments; penalties, damages, interest, fines and forfeitures; and all other claims and similar sources. Delays in processing employee-elected coverage or a change in coverage under federal benefits programs are not normally considered debts if processing delays did not exceed 2 monthly or 4 biweekly pay periods. Amounts due a non-appropriated fund instrumentality are not debts owed the U.S. unless specifically included by this Regulation.
Deductions

Monies withheld, by law (mandatory deductions) or voluntarily (voluntary deductions), from an employee’s pay (salary). The three basic types of deductions are:

   a. Those required by law, regulations, or decision issued by a court or administrative body;

   b. Those for benefits specifically authorized by law, such as health and life insurance; and

   c. Voluntary personal allotments to a designated allottee.

Defense Civilian Pay System (DCPS)

The standard DoD civilian pay system approved by the Under Secretary of Defense (Comptroller) Chief Financial Officer to pay employees from appropriated, revolving, or trust funds.

Departmental Reporter

The Defense Finance and Accounting Service (DFAS) organizational entity serving as the focal point for a Military Service, when dealing with the OPM and the Thrift Investment Board concerning retirement or Thrift Savings Plan (TSP) reporting.

Disposable Pay

The amount that remains after pay (salary) is reduced by amounts that are:

   a. Required by law to be deducted;

   b. Properly withheld for federal, state, and local income taxes;

   c. Deducted as health insurance premiums;

   d. Deducted as normal retirement contributions; and

   e. Deducted as normal life insurance premiums.

Due Process

For purposes of Volume 8, due process refers to legal proceedings carried out in accordance with established law and regulations for the connection with the collection of debts due the U.S. Emergency Medical Technician (EMT)

A specialist in the technical details of medical treatment responding to an urgent need for assistance requiring immediate action.

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Employee

An employee refers to an individual appointed to a position in DoD and paid from appropriated, revolving, or trust funds. See 5 U.S.C. § 2105 and 5 U.S.C. § 5541(2).

Employer Identification Number (EIN)

A nine-digit number the Internal Revenue Service assigns to identify the tax accounts of employers, sole proprietors, corporations, partnerships, non-profit associations, trusts, estates, government agencies, and other business entities pursuant to 26 U.S.C. § 6109.

Entitlement

Legally established benefits available to any person or unit of the Federal Government meeting eligibility requirements established by law.

Environmental Differential Pay (EDP)

Paid for a duty involving unusually severe hazards or working conditions.

Executive Schedule (EX) Employees

Position is paid according to the Executive Schedule under 5 U.S.C. § 5311 to 5318.

*Fair Labor Standards Act (FLSA)

The federal law codified at 29 U.S.C. Chapter 8 that establishes minimum wage, overtime pay, recordkeeping, and child labor standards for full-time and part-time workers in the private sector and in Federal, State, and local governments.

Family and Medical Leave Act (FMLA)

Prescribes an entitlement to a total of 12 administrative workweeks of unpaid leave during any 12-month period for certain family and medical needs. FMLA allows employees to use or substitute up to 26 weeks of accrued or accumulated sick leave for unpaid FMLA leave to care for a seriously injured/ill covered service member as authorized by the fiscal year (FY) 2008 National Defense Authorization Act (NDAA) including up to 30 days (240 hours) of advance sick leave. See 5 C.F.R. § 630, subparts D and F.
Federal Agency

Any executive agency as defined by 5 U.S.C. § 105, including the U.S. Postal Service and the Postal Rate Commission; a Military Department as defined by 5 U.S.C. § 102; an agency of the legislative branch, including the U.S. Senate and U.S. House of Representatives; and an agency or court of the judicial branch.

Federal Employees’ Retirement System (FERS)

The retirement plan for employees as described in 5 U.S.C. Chapter 84 and effective January 1, 1987.

Federal Reserve System

Any Federal Reserve District Head Office, Branch, or regional check processing center that processes EFT payments, including Automated Clearing House, for the Federal Government.

Financial Institution

Bank, savings association, or credit union eligible under 31 C.F.R. § 210 to serve as a government depository.

Fiscal Year (FY)

The period starting October 1 and ending September 30.

Foreign Areas

Defined in the Department of State Standardized Regulations (DSSR) as any area situated outside of the U.S., the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the possessions of the U.S.

Foreign National

A foreign national is a person who is not a citizen or national of the U.S.

Foreign National Employee

For the purposes of Volume 8, a foreign national employee is an individual who is employed by or performing work for U.S. forces outside the U.S., its territories, and possessions in a system of employment. See Department of Defense Instruction (DODI) 1400.25, Volume 1231.

Garnishment

Written notification concerning the attachment of monies to satisfy a debt that results in the withholding of a specified amount from the employee’s pay (salary).
Holiday Work


Intermittent Work Schedule

Employment on an irregular or occasional basis, without a regularly scheduled tour of duty. See 5 C.F.R. § 340.401.

Involuntary Repayment

Recovery of debt owed to the Federal Government by means of salary offset under 5 U.S.C. § 5514 by deduction from the current pay of employee without his or her consent.

Irregular or Occasional Overtime Work

Overtime work that is not part of an employee’s regularly scheduled administrative workweek. See 5 C.F.R. § 532.501.

Leave and Earnings Statement (LES)

A document provided to each employee showing gross pay, deductions, net pay for a pay period and cumulative totals for the year to date, along with leave balances at the end of the pay period.

Leave Record

The amounts of leave earned and used, and the balance available.

Leave Without Pay (LWOP)

A temporary non-pay status and absence from duty that in most cases is granted at the employee’s request.

Leave Year

The period beginning with the first complete pay period in a calendar year and ending with the day immediately before the first day on the first complete pay period of the following calendar year.

Limitations on Premium Pay or Pay Caps

The maximum biweekly and aggregate limitations for premium pay. See 5 C.F.R. § 550.105.

Locality Payment

Lump-Sum Leave Pay

Payment for accumulated annual leave upon separation or change to a nonconvertible leave system.

Military Leave


National Guard

The Army or Air National Guard of a state.

National Guard Technician

A federal employee of the National Guard hired under 32 U.S.C. § 709 and does not include National Guard Bureau employees hired under Title 5 of the U.S. Code or other authority.

Net Pay

The amount of wages, pay, or salary due after all payroll deductions are made.

Nonappropriated Funds (NAFs)

Monies that are not appropriated by the Congress to incur obligations and make payments out of the U.S. Treasury. NAFs come primarily from the sale of goods and services to DoD military and civilian personnel and their family members.

Nonappropriated Funds (NAF) Employee

A civilian employee who is paid from nonappropriated funds of the Army and Air Force Exchange Service, Navy Exchanges, Marine Corps exchanges, Coast Guard exchanges, or any other instrumentality of the U.S. under the jurisdiction of the armed forces which is conducted for the comfort, pleasure, contentment, or physical and mental improvement of members of the armed forces. See 5 U.S.C. § 2105(c) and DoDI 1400.25, V1401.

Nonforeign Areas

The states of Alaska and Hawaii, the Commonwealths of Northern Mariana Island and Puerto Rico, territories and possessions of the U.S. that the Secretary of State has designated as being within the scope of Part II of Executive Order 10,000.

Panama Canal Commission
A wholly owned government corporation established under 22 U.S.C. § 3611 for the purposes of managing, operating, and maintaining the Panama Canal in accordance with the Panama Canal Treaty of 1977 and related agreements.

**Pay (Salary)**

Pay and salary have the same meaning. They include basic, premium, and any other authorized pay and allowances other than travel and transportation expenses.

**Pay Period**

A segment of time during which employees perform work and receive pay. For most federal civilian employees, a pay period covers 14 consecutive days, normally beginning on Sunday.

**Pay Record**

Part of each civilian employee’s master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay record includes information such as pay grade, record of payments, all earnings separately identified by type (e.g., basic pay, bonuses, premium pays, and allowances), allotments, any deductions, year-to-date gross earnings, taxable earnings, and taxes withheld.

**Payroll Certifying Officer**

A person appointed to certify the accuracy and propriety of payroll for compensation for personal services.

**Permanent Change of Station (PCS)**

The assignment, detail, or transfer of an employee to a different permanent duty station (PDS) under a competent travel authorization that does not specify the duty as temporary, provide for further assignment to a new PDS, or direct the employee to return to the old PDS.

**Premium Pay**

The dollar value of earned hours of compensatory time off and additional pay authorized by 5 U.S.C. Part III, Subpart D, Chapter 55, Subchapter V, and includes pay for overtime, night, Sunday, or holiday work, stand by duty, administratively uncontrollable overtime work or availability duty. See 5 C.F.R. § 550.103.

**Prevailing Rate Employee**

An individual employed in: a particular trade or craft, or other skilled mechanical craft; or in an unskilled, semiskilled, or skilled manual labor occupation: or any other individual in a position
having trade, craft or laboring experience and knowledge as the paramount requirement. See 5 U.S.C. § 5342.

Rate of Basic Pay

The rate of pay fixed by law or administrative action for the position held by the employee, to include locality pay, and special pay adjustments for law enforcement officers, but does not include any other types of pay. See 5 C.F.R. § 531.203.

Reemployed Annuitant

A person who is receiving a CSRS or FERS retirement annuity and, at the same time, is earning a paycheck as a Federal Government employee.

Regularly Scheduled Work

Work scheduled in advance of an administrative workweek under an agency’s procedures for establishing workweeks in accordance with 5 C.F.R. 610.111, excluding any such work to which availability pay under 5 C.F.R. § 550.181 applies. See 5 C.F.R. § 550.103.

Salary Offset

An administrative offset under 5 U.S.C. § 5514 to collect a debt owed by a Federal Government employee through deductions, at one or more officially established pay intervals, from the current pay account of the employee without his or her consent.

Scheduled Overtime Work

Overtime work that is scheduled and approved prior to the beginning of the employee’s regularly scheduled administrative workweek.

Severance Pay

Pay that is authorized for full-time and part-time employees who are involuntarily separated from Federal service and who meet other conditions of eligibility. See 5 U.S.C. § 5595.

State

A state or territory of the U.S., including the Commonwealth of Puerto Rico.

Thrift Savings Plan (TSP)

*TSP Loan

Funds that employees and members of the Uniformed Services may borrow from their TSP accounts in accordance with the requirements at 5 U.S.C. § 8433(g).

Tour of Duty

The hours of a day (a daily tour of duty) and the days of an administrative workweek (a weekly tour of duty) that make up an employee’s regularly scheduled administrative workweek. See 5 C.F.R. § 610.102.

United States (U.S.)

The 50 states and the District of Columbia, unless otherwise qualified.

Voluntary Deduction

Deduction from an employee’s pay that requires written authorization from the employee to affect withholding.

Waiver

The cancellation, forgiveness, or non-recovery of a debt owed by an employee to an agency as permitted or required by law.