

**VOLUME 12, CHAPTER 10: “FUNDING CIVILIAN SEPARATION INCENTIVES
AND CIVILIAN PERSONNEL TRANSITION INITIATIVE”**

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also 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 [April 2020](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2.1	Updated guidance to include Public Law 101-510, Section 322 “Guidelines for Future Reductions of Civilian Employees of Industrial-type or Commercial-Type Activities.”	Revision
2.1	Revised the description of separation incentives and outpatient subsidy to clarify the recipient and the maximum amount that DoD is allowed to pay under each category.	Revision
3.4	Clarified that a DoD Component-offered outplacement subsidy is offered to the gaining Federal agency, not the employee.	Revision
4.0	Removed verbiage to clarify that all Antidefiency Act provisions apply to all Federal agencies.	Deletion

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CHAPTER 10

**FUNDING CIVILIAN SEPARATION INCENTIVES
AND CIVILIAN PERSONNEL TRANSITION INITIATIVES**

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide definitions and funding requirements to implement civilian separation incentives and civilian personnel transition initiatives.

1.2 Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources:

*1.2.1. [Public Law 101-510, Section 322](#). “Guidelines for Future Reductions of Civilian Employees of Industrial-type or Commercial-Type Activities.”

1.2.2. Title 5, United States Code, Section 5724, [\(5 U.S.C. § 5724\)](#), “Travel and transportation expenses of employees transferred; advancement of funds; reimbursement on commuted basis.”

1.2.3. [5 U.S.C. § 9902 \(f\)](#), “Department of Defense personnel authorities.”

1.2.4. Department of Defense Instruction [\(DoDI\) 1400.25, Volume 1700](#), “DoD Civilian Personnel Management System: Civilian Assistance and Re-Employment (CARE) Program.”

1.2.5. [DoDI 1400.25, Volume 1702](#), “DoD Civilian Personnel Management System: Voluntary Separation Programs.”

2.0 OVERALL FUNDING POLICY DEFINITIONS

*2.1 Separation Incentives/Outplacement Subsidies

2.1.1 For the purpose of this policy, the term “civilian separation incentives” means resignation and retirement incentives and outplacement subsidies [that may be used to encourage designated civilian employees to separate voluntarily from DoD](#).

2.1.2. Available separation incentives include Voluntary Separation Incentive Pay (VSIP), VSIP Phase II, Voluntary Early Retirement Authority (VERA), and Voluntary Reduction in Force (VRIF). The DoD activities may pay up to \$25,000 (before taxes and deductions) from appropriations, funds, or accounts available for such purposes for the voluntary resignation, early retirement, or optional retirement of a designated civilian employee.

2.1.3. Outplacement subsidies are used as an incentive for other Federal agencies to hire employees displaced by reduction in force (RIF) or transfer of function. DoD activities may pay up to \$20,000 from appropriations, funds, or accounts available for such purposes. The payment is for Permanent Change of Station (PCS) costs incurred by another Federal agency when that agency hires any DoD employee in a surplus skill category who is subject to RIF. See paragraph 3.4.

2.2 Audit Readiness/Internal Procedures

Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements must be maintained and made available during financial statement audits.

2.3 Recording Funding Obligations

Funds for separation incentives and outplacement subsidies must be obligated when an employee accepts the offer of an incentive payment. The obligation must be recorded in DoD Standard General Ledger account 640000, "Benefits Expense," and reported as object class 13.0, "Benefits for former personnel" for separation incentive and object class 12.1 for outplacement subsidies. Refer to the [Office of the Deputy Chief Financial Officer Standard Financial Information Structure \(SFIS\)](#) for additional information on account descriptions, and Office of Management and Budget ([OMB Circulars](#)), Circular A-11, Section 83 for additional information on object class codes.

3.0 SPECIFIC FUNDING POLICIES FOR DIFFERENT TYPES OF EMPLOYEES

3.1 Civilian Separation

A DoD Component that offers civilian separation incentives to an employee, in order to induce the voluntary separation of that employee to create a vacancy for another employee of the same DoD Component, must fund the resulting separation payments from the applicable appropriation, fund or account that otherwise is available to pay for salaries and expenses of that DoD Component. The source of VSIP funds may include a Defense Working Capital Fund (DWCF) for employees of a DWCF-funded activity. DoD central account funding is not provided.

3.2 Base Realignment and Closure Act

Congress amended the [Base Realignment and Closure \(BRAC\)](#) statute in the Fiscal Year 2013 National Defense Authorization Act and created a single Treasury account known as the "Department of Defense Base Closure Account" to improve the BRAC program's overall efficiency and effectiveness. The Defense Base Closure Account is available for payment of separation incentives when determined necessary to implement a BRAC recommendation. The departmental policy contained in Volume 2B, Chapter 7 provides the general criterion to apply costs to the DoD Base Realignment and Closure Account.

3.3 Foreign Military Sales Trust Fund

For employees paid from, or whose salaries are fully reimbursed by, the Foreign Military Sales (FMS) Trust Fund, an offer of separation incentives or civilian personnel transition initiatives (either to an FMS Fund civilian employee or to a non-FMS Fund civilian employee to benefit an FMS Fund civilian employee) must be funded as follows:

3.3.1. Separation incentives offered to an FMS civilian employee, in order to induce a voluntary separation of the FMS civilian employee, with the elimination of that FMS civilian employee position, must be paid by the FMS Fund.

3.3.2. Separation incentives offered to an FMS civilian employee, in order to create a vacancy within the same DoD Component for another FMS civilian employee who otherwise would be separated, must be paid by the FMS Fund.

3.3.3. Separation incentives offered to a non-FMS civilian employee, in order to create a vacancy for an FMS civilian employee who otherwise would have been separated, where the FMS civilian employee continues fully to support the FMS program, must be paid by the FMS Fund.

3.3.4. Any costs of outplacement subsidy described in paragraph 3.4, for an FMS civilian employee, must be funded by the FMS Fund.

3.3.5. No other separation payments are chargeable to the FMS Fund.

*3.4 Placements Outside the Department

DoD activities may pay up to \$20,000 (subject to the availability of funds) in outplacement subsidy for Permanent Change of Station (PCS) costs associated with placement of a surplus DoD employee with another Federal Agency as authorized under 5 U.S.C. §5724 and DoDI 1400.25, Volume 1702. When a DoD Component-offered outplacement subsidy is accepted by the gaining Federal agency, the DoD activity must notify the gaining agency that DoD funds may be billed up to \$20,000 per employee or for the actual PCS costs, whichever is less. The notification must include the DoD fund citation to be billed and the address of the fiscal station paying the subsidy. Payment must be made by the applicable DoD activity based upon documentation of the amounts paid or to be paid to the employee by the gaining Federal Agency.

*4.0 CONTROLS OVER AVAILABLE FUNDS

Controls must be established to ensure that sufficient funds are available to cover projected requirements for employee acceptance of incentive offers and outplacement subsidies each quarter. Antideficiency Act provisions apply to the DoD Component appropriations, funds and accounts. Therefore, if available funds are projected to be inadequate to cover anticipated incentive program acceptances and outplacement subsidies; appropriate action must be taken. In this regard, the DoD Components either must cancel or withdraw incentive offers prior to employee acceptance, or obtain additional funds.