

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 * 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](#).

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	<u>This is a new chapter</u> “Allotments and Voluntary Deductions” incorporated from the information from Chapter 4, dated July 2008.	Add
1101	Added information to distinguish allotments and voluntary deductions from mandatory deductions.	Add
1102	Updated information on Mandatory Allotments and Discretionary Allotments.	Update
110202.G	Added information on the Flexible Benefits Plan Allotments.	Add
1103	Updated information on Federal Employees Health Benefits (FEHB).	Update
110303	Added section on FEHB for Employees Entering Active Military Service.	Add
110305	Added section on Temporary Continuation of Coverage (TCC).	Add
1104	Added section on Federal Employees Dental and Vision Insurance Program (FEDVIP).	Add
1105	Added section on Allotments For Federal Flexible Spending Account Program (FSAFEDS).	Add
1106	Updated information on the Federal Employees Group Life Insurance (FEGLI) Program.	Update
110608	Added section on Continuation of Coverage for Federal Employees Called to Active Duty.	Add
1107	Added section on Federal Long Term Care Insurance Program (FLTCIP).	Add
1108	Updated information on Disability Insurance for Employees of the Uniformed Services University of the Health Sciences (USUHS).	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1109	Updated information on the National Guard Association of United States (NGAUS) Insurance Trust (IT) Program.	Update
1110	Updated Information on the Thrift Savings Plan (TSP).	Update
111002	Added section on Thrift Savings Plan Contribution Elections and Automatic Enrollment.	Add
111004	Updated section on Thrift Savings Plan Loan Program.	Update
111005	Updated section on Thrift Savings Plan Correction of Administrative Errors.	Update
111005.C	Added section on Thrift Savings Plan Contributions Missed as a Result of Military Service.	Add
1111	Added section on Post-56 Military Deposit.	Add
Table 11-1	Updated Basic Life Insurance Employee Cost and Optional Life Insurance Employee Cost Effective January 1, 2005.	Update
Table 11-2	Added Basic Life Insurance Employee Cost and Optional Life Insurance Employee Cost Effective January 1, 2012.	Add
Table 11-3	Updated Life Insurance Enrollment Status Codes.	Update

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CHAPTER 11

ALLOTMENTS AND VOLUNTARY DEDUCTIONS

*1101 GENERAL

Allotments (also referred to as an assignment of pay) 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 of this volume for information on mandatory deductions.

*1102 ALLOTMENTS

*110201. General

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 5 United States Code (U.S.C.) 5525, 5 Code of Federal Regulation (C.F.R.) 550 Subpart C and paragraph 110203 of this chapter. For information concerning the order of precedence for processing both mandatory and voluntary deductions and allotments, see Chapter 4, section 0402 of this volume.

A. Allotment Processing. An allotment must be requested in writing by the employee. 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 are made through automated computer programs that allow the Defense Finance and Accounting Service (DFAS) to process allotments 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.

*110202. 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. A Standard Form (SF) 1187 (Request for Payroll Deductions for Labor Organization Dues) is used 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, a missed allotment for that pay period will not be deducted from future earnings. 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, then a partial deduction will not be made. 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 voluntarily cancel an allotment. However, any written request for the cancellation of an allotment that contains sufficient information and is signed by the employee may be acceptable. Unless the collective bargaining agreement provides 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 his or her 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; or

For example:

(1) When an employee is no longer a member of the bargaining unit due to separation from the employing activity, then 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, then 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, then 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 at the first pay period after written notification is received 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 automatic termination of a labor organization dues allotment must be made promptly by the agency 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 an allotment for labor organization dues is not terminated in a timely manner, then the payroll office (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. Allotments may be made for charitable contributions through the Combined Federal Campaign (CFC) under 5 C.F.R. 550.341. See Department of Defense Instruction (DoDI) 5035.01 and DoDI 5035.05 for additional information. 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. A Local Federal Coordinating Committee (LFCC) is designated by OPM to conduct the CFC in a particular community. For additional information, see 5 C.F.R Part 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. Such contributions can be made by check, money order, cash, or by electronic means, including credit cards, as approved by the Director, but shall not be made 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. The CFC Pledge Form is distributed to employees, along with other campaign materials, including the official charity list, at the time charitable contributions are solicited. Employees shall submit a completed CFC Pledge Form (either directly or through the CFC agent) in order to establish a CFC payroll allotment. Forms should be submitted to the employee's appropriate point of contact by the date determined by the LFCC from September 1st through December 15th each year. However, if a form is received after December 15th, the form should be accepted and processed. See 5 C.F.R. 950.901.

3. CFC Allotments are Voluntary. An allotment shall be voluntary, based on the employee's written authorization.

4. One-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 are discontinued 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. A discontinued allotment may not be reinstated.

7. Transfer of CFC Allotment Authorization. If an employee transfers during the 1-year term of the allotment, then 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 payroll office 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 under 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 must be a fixed amount to be deducted in each biweekly pay period until canceled by the employee.

1. Initiation. To initiate an allotment to a personal account at a financial organization, an employee shall submit an SF 1199A (Direct Deposit Sign-Up Form), Department of Defense (DD) Form 2762 (Direct Deposit Authorization), or email the required information to his or her Customer Service Representative (CSR). A record of any emailed request should be maintained by the CSR. 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. A routing transit number (RTN), the employee's account number, account type, and bi-weekly amount must be provided by the employee to initiate the allotment.

2. Changes. To change the amount of the allotment or the financial organization or account, the employee must submit a new SF 1199A, DD Form 2762, or email instructions to the CSR for processing. 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 an email, or the appropriate form, to the CSR for processing. The employee may also cancel the allotment through an available automated computer program.

4. Deductions

a. The full allotment amount will be deducted each pay period if the salary is sufficient to cover the deduction, 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. Adjustments shall not be made during future pay periods for amounts the PRO 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. Eligible employees are permitted 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 was adopted by OPM on December 22, 2010, and offers the following options:

1. Premium Conversion. FedFlex offers premium conversion for medical, dental, and vision plans by allowing employees to pay premiums using pretax dollars. See subparagraph 110302.H of this volume.

2. Flexible Spending Accounts (FSAs). FedFlex offers employees an opportunity to participate in the Federal Flexible Spending Accounts Program (FSAFEDS). See section 1105 of this volume.

3. Health Savings Accounts (HSAs). An eligible employee who is 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 HSA allotment may be modified at any time in order to effect a prospective change. Any balance remaining in an HSA at the end of a

plan year is automatically carried 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 that are 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 of this section. See 5 C.F.R. 550.311(d).

A. Purchase of Savings Bonds. The U.S. Department of Treasury has discontinued the issuance of paper savings bonds through federal agency payroll savings plans. Effective September 30, 2010, employees will no longer be able to purchase paper savings bonds through payroll deduction.

1. To purchase savings bonds, an employee must open a TreasuryDirect account at www.treasurydirect.gov. 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 number and the amount to be deducted biweekly.

2. Savings bonds purchased in TreasuryDirect are posted to the employee's account one business day after the scheduled purchase date.

B. Foreign Affairs Agency Organizations. An employee may make an allotment for 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 six 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.

*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. Part 890. FEHB is an employer-sponsored group health insurance

program for eligible Federal civilian employees, retirees, former employees, family members, and former spouses. 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).

A. Authorized FEHB Forms

1. The SF 2809 (Employee Health Benefits Registration 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; and
- d. Change in name of 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, then the enrollment or change becomes effective on the first day of the pay period after the employee returns to a pay status. Open season is held each year from the Monday of the second full workweek in November through 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 also Federal Employees Health Benefits Program Handbook (FEHB Handbook). Premium contributions and withholdings begin the first pay period that enrollment is effective. The contributions and withholdings are forwarded 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 withholding amount is deducted 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 benefits, biweekly deduction, and other major features of each participating plan are described in the plan brochure. If the withholding is insufficient, then an employee incurs a debt to the United States in the amount of the proper withholding required for each pay period during which he or she is enrolled. Employees must check their LES statements 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 under 5 U.S.C. 3402) may elect coverage under FEHB and must pay the employee share of the FEHB premium. The employer contribution may be paid 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 the employee is scheduled to work in a pay period. The prorated share of the government's contribution is determined by dividing the number of hours the part-time employee is scheduled to work 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). The resulting percentage is then applied to the government contribution made for full-time employees enrolled in that plan. The amount of the government contribution is then deducted from the total premium (government contribution plus employee share), and the remaining amount is withheld from the employee's pay. For additional information, see 5 U.S.C. 8906(b)(3) and refer to the FEHB Program Handbook "Chart of Government Contribution Factors for Part-Time Employees."

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. Biweekly withholding for FEHB premiums will not be made from an employee's Lump Sum Leave (LSL) payment. However, collection for an established debt that is the result of an employee's underpayment or failure to pay premiums may be made from the LSL payment.

2. Withholdings and Contributions Upon Transfer. An employee's health plan enrollment and coverage continues 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 payroll office. If the employee transfers to a different PRO at any time other than the first day of the pay period, then the withholdings and contributions must be prorated using the Daily Proration Rule at subparagraph 110302.G of this chapter.

3. Withholding and Contributions Upon Retirement. If an employee retires and is eligible to continue enrollment in a health plan as an annuitant, then 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, then the PRO shall make withholdings and contributions for the entire final pay period. If the annuity starts before the end of the employee's final pay period, then the PRO shall make withholdings and contributions through the day before the starting date of the annuity using the Daily Proration Rule at subparagraph 110302.G of this chapter. 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, then 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, then the Daily Proration Rule at subparagraph 110302.G of this volume applies and the calculation is made using 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

his or her choice in the same manner as a new employee. 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 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, then apply the Daily Proration Rule at subparagraph 110302.G of this volume. 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, then 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 a period of LWOP or when the employee has insufficient pay to cover the premiums, unless the employee wants the enrollment to terminate. If an employee is on LWOP or has insufficient pay to cover the full FEHB premium, then no withholding will be made for the pay period. However, the full FEHB premium (both the government contribution and the employee's share) must continue to be forwarded to OPM each pay period by the PRO. 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 programmed to identify through timekeeping data all employees on LWOP or who have insufficient pay to cover premiums. When premium payments cannot be withheld from the employee's salary, written notice must be provided to employees as soon as the PRO becomes aware that premium payments cannot be withheld. Notice should be provided in accordance with instructions in the FEHB Handbook and 5 C.F.R. 890.502(b) and must be delivered in person or sent by first class mail. If mailed, then 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, then 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, then 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 lump sum 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 return the notice (and complete the election indicating whether the employee chooses to continue or terminate enrollment) within 31 days after receiving the notice (45 if the employee lives overseas), then enrollment will automatically terminate. (Note: A notice that is mailed is considered to be received by the employee 5 days after the date of the notice.)

4. Employee Must Continue or Terminate Enrollment. If the employee enters LWOP or the employee's pay is insufficient, then 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. If the employee elects to terminate enrollment, then the termination is effective at the end of the last pay period in which premiums are withheld 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"). If the employee returns to a pay status or at the end of the first pay period that pay becomes sufficient to cover premiums, then the employee must reenroll within 60 days if the employee wishes to elect FEHB coverage again. If the government contribution has been forwarded to OPM using RITS and an adjustment is required in a subsequent pay period due to the late receipt of the FEHB cancellation, then appropriate changes must be made to the DD Form 592 (Payroll for Personal Services) and a system generated in lieu of SF 2812-A (Report of Withholdings and Contributions for Health Benefits by Enrollment Code).

b. Continuing Enrollment. If the employee elects to continue coverage, then the employee may pay premiums directly to the employing agency while on leave ("pay-as-you-go" option), incur a debt in the amount of 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, then the employee must repay the debt in full or the employee will be subject to a debt collection action. If the employee pre-pays the premiums, then the amount may be deducted from pay or may be paid out-of-pocket. Out-of-pocket payments are made with after-tax monies.

5. Coordinating Withholding from Disability Retirement or Workers' Compensation

a. Pending Applications. 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. If the employee does not continue to make premium payments during LWOP, then the PRO will 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, then 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, then the PRO will not refund premium payments until the office receives a notice from OPM indicating that 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). If compensation lasts fewer than 29 days, then enrollment will remain with the PRO, otherwise enrollment may be transferred to the OWCP. OWCP will not make withholdings when compensation is received for fewer than 29 days. During this period, the employee must pay the employee's share of the premiums and the PRO must pay its share. After 28 days, OWCP makes health benefits withholding and contributions, regardless of whether enrollment is transferred to OWCP. Withholdings and contributions by OWCP begin on the later of the date compensation begins; or following the day the PRO stops making withholdings and contributions. Enrollment will continue during the first 365 days in LWOP status while an employee receives compensation. After 365 days, an employee must meet certain participation requirements and enrollment eligibility is determined by OWCP.

6. Special Circumstances Involving Employees on LWOP

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 are withheld from the employee's pay as when the employee is 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 enrollment transferred from his or her 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, then 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, then his or her FEHB enrollment must be

terminated. The original and new employing office must coordinate 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. 6381. 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 at 110302 of this chapter 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. 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 premium payment must be paid to the PRO before, during, or within 3 months after the end of each pay period. 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. Part 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. Coverage terminates if the employee does not pay premiums in a timely manner (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.

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 his or her 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), then 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 a nonpay period. If the employee is on LWOP status during the normal work period, then 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. Effective March 1, 1997, the Daily Proration Rule should be used to compute partial withholdings and contributions under the following circumstances:

a. The employee transfers to a position serviced by a different payroll office 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's enrollment was terminated or reinstated because of entry into or return from military service.

2. Application of the Daily Proration Rule. The FEHB Program Handbook 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 gaining and losing PRO must compute daily FEHB premium withholdings and contributions rates as follows:

a. Daily Withholding Rate. To determine the daily withholding rate for partial employee withholding, multiply the biweekly employee withholding rate by 26 and then 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 then 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. An amount allotted by an employee is used to purchase FEHB insurance, rather than being paid to the employee as taxable income. The employee's taxable income is reduced thereby lowering the employee's Federal income tax, Social Security and Medicare taxes, and State and local taxes. Eligible employees are automatically enrolled in premium conversion. Before the effective date of coverage, an employee may waive participation in the premium conversion benefit by filing a Premium Conversion Election/Waiver Form. Thereafter, an employee may file a waiver of participation in premium conversion only under the limited circumstances set out at 5 C.F.R. 892.205. See 5 C.F.R. 892, subpart B for additional information.

I. Collection of Unpaid FEHB Premiums Debt

1. Debt Collection. Debt collection actions shall be made pursuant to the debt collection authority at Volume 5, Chapter 28 and Volume 8, Chapter 8 of this regulation. 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. 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, then the amount an employee owes 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 which are later offset, then 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 who has a debt for unpaid FEHB premiums 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.

*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, enter military furlough or are placed in nonpay status to serve in the uniformed services. See 38 U.S.C. 4317(a)(1)(A) and 5 U.S.C. 8905A. If the employee is on active duty for 30 days or less and is in pay status, then the employee's FEHB enrollment continues without change to the employee withholding or government contributions. An employee who enters active duty for more than 30 days may continue health benefits enrollment for up to 24 months unless the employee terminates enrollment. As discussed below, the cost of FEHB is dependent upon the nature and length of the employee's active duty. Eligible Department of Defense (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. 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 in General. For the first 365 days in LWOP (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"). After 365 days on LWOP, the employee must pay both the employee share and the government share of the FEHB premium, plus a 2 percent administrative charge, directly to the PRO on a current basis (each pay period). An employee's enrollment ends 24 months after absence for military service began; or 90 days after service ends, whichever is earlier. (Note: 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.) 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, the employee may enroll again within 60 days after returning to civilian employment. For additional information, see OPM's Frequently Asked Questions at <http://www.opm.gov/insure/health/eligibility/reservists.asp>.

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. DoD agencies 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).

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:

- a. Be enrolled in FEHB and elect to continue that enrollment;

b. Be a member of a Reserve component of the Armed Forces, which are 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. Be 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. Be placed on LWOP or separated from civilian service to perform active duty; and

e. Serve 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 LWOP 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. Public Law 108-375 and Public Law 107-107 amended 5 U.S.C. 8906(e)(3) to provide an extension of coverage under FEHB for no longer than 18 months for eligible employees. An agency was 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. Full FEHB premiums were paid during periods of LWOP or separation, but were not paid 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. All employees serving on active duty in the uniformed service, including those serving under non-contingency orders, are protected by the Uniformed Services Employment and Reemployment Rights Act (USERRA). 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 are 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. The employee was responsible for payment of the employee's share of the FEHB premium for the first 12 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. If the employee does not participate in premium conversion, then 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 his or her enrollment from Self and Family to Self Only during an 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. All enrollment changes may be made retroactive to the first day of the pay period that began after the employing office received the employee's enrollment change request. The retroactive change, with a corresponding adjustment in health benefits withholdings and contributions, may be made only upon the employee's written request which identifies the event and date when the employee became the only person covered by family enrollment. If an employee retroactively changes from Self and Family to Self Only, then corrective adjustments must be made 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. Collection from a separated employee must be made from the employee's final pay. See Chapter 8 of this volume for additional information.

2. Overdeduction. If more than the correct FEHB premium has been deducted from the employee, then 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 his/her change in status as a family member. Notification about TCC election rights should be provided by the HRO. For specific details regarding TCC, see 5 C.F.R. Part 890, subpart K.

B. Notification. Once TCC eligibility has been established by the employee's HRO, 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 the premiums to OPM.

C. Premium Payments. Individuals eligible for TCC must pay the full premium for the health benefit plan. This 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 (RIF) under 5 U.S.C. 8905A(d)(4), then the employee pays his or her 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

The 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, Enrollment and Termination

A. Eligibility. Generally, in order to be eligible to enroll in FEDVIP, employees must be eligible for enrollment in the FEHB Program. However, employees are not required to be enrolled in FEHB. 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 enrollees 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 a secure enrollment site at www.BENEFEDS.COM, or by contacting BENEFEDS directly 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, FEDVIP participation may be canceled only during open season. An employee may cancel FEDVIP participation outside of open season under only 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. FEDVIP premiums are withheld from the employee's bi-weekly salary on a pre-tax basis using premium conversion, the method for reducing taxable income by the amount of the employee's contribution to his or her 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 non-pay status. An employee who pays a premium directly to the FEDVIP

administrator is not eligible for premium conversion. An employee whose enrollment was retroactively changed resulting in additional premium withholding 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, then payment must be made up 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 make arrangements to pay premiums directly to the FEDVIP administrator. If the employee stops making direct premium payments, then FEDVIP coverage stops at the end of the pay period in which the employee last made a payment. If FEDVIP coverage stops, then 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 directing a portion of their pay to be deposited into the account for the upcoming benefit period (usually 14.5 months). Allotments are withheld from the employee's bi-weekly salary on a pretax basis and deposited into the FSA. Allotments may be accelerated over fewer pay periods at the employee's request. The FSA may be used by the employee 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. However, 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. Employees must enroll directly with FSAFEDS either through the website at www.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 is also enrolled in a HDHP, then the employee may not also maintain a Health Savings Account (HSA).

B. Dependent Care Flexible Spending Account (DCFSA). An eligible employee may make an allotment to a DCFSA to pay for qualified dependent care expenses. DCFSA's may also be referred to as a "Day Care FSA."

C. Limited Expense Health Care Flexible Spending Account (LEX HCFSA).

The LEX HCFSA is only available to employees who enroll in a FEHB HDHP with a HSA. Eligible expenses are limited to dental and vision care services.

*110503. Allotments

A. Payment of allotments. Allotments withheld from the employee's pay are forwarded to Benefeds on the same date payroll is paid.

B. Unused allotments. Pursuant to IRS rules, any unused FSA allotments are forfeited if the employee did not incur an eligible expense and a claim for reimbursement by the employee is not submitted in a timely manner. This is referred to as the "use or lose" rule.

C. LWOP and Nonpay Status. If the employee is on LWOP or in a nonpay status, then the government will not make-up the employee's allotments to an FSA during the LWOP period. However, allotments that would have otherwise been made during the LWOP period may be prepaid by the employee. If allotments are not prepaid, then the HCFSA or LEX HCFSA account will be frozen and the employee will not be eligible for reimbursement of expenses incurred during LWOP or while on 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 LWOP/nonpay status, then certain dependent care expenses that meet IRS guidelines for eligible expenses may continue to be reimbursed up to the account balance. Upon the employee's return to pay status, allotments to an FSA will be recalculated based on the number of pay dates remaining in the benefit period. For additional information see <https://www.fsafeds.com/fsafeds/SummaryOfBenefits.asp#LeaveExpense>.

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 remaining balance in a DCFSA may continue to be used for eligible dependent care expenses until the end of the Benefit Period or until the account balance is depleted, whichever comes first. Termination reasons include a change in employment status causing the employee to lose eligibility, separation from Federal employment, or transfer to a Federal agency that is 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 Program was created by the FEGLI Act of 1954, P.L. 83-598. OPM administers the Program and sets the amounts for employee withholdings and government contributions. See Table 11-1 and 11-2 for biweekly FEGLI rates. For additional information, see 5 C.F.R. 870 or the Federal Employees

Group Life Insurance Program Handbook (FEGLI Handbook). FEGLI benefits are payable regardless of the cause of death. The life insurance enrollment status code is indicated on the employee's SF 50. See Table 11-3 for an explanation of the FEGLI enrollment codes.

*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. There are three additional types of Optional insurance for which the employee pays the entire cost. Additionally, accidental death and dismemberment (AD&D) coverage is an automatic part of Basic and Option A insurance at no additional cost to employees.

A. Basic Insurance. Eligible employees are automatically enrolled in Basic insurance on the day they are placed in pay and duty status, 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 a 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 his/her 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. However, if the employee's salary is "capped" by law, the amount of Basic insurance is based only 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. Tropical differential pay for citizen employees in Panama;
- g. Special pay adjustments for law enforcement officers;
- h. Availability pay for criminal investigators under 5 U.S.C. 5545a;
- i. Market pay for physicians and dentists of the Department of Veterans affairs under 38 U.S.C. 7431; and
- j. 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:

a. Regular Schedule. Annual pay for employees who are 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 the employee was receiving 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 (as shown 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 is entitled to FEGLI for at least one of the positions, then the annual rate of basic pay for life insurance purposes is the annual rate of basic pay fixed by law or regulation for each position. See 5 C.F.R. 870.204(g) for exceptions.

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 five-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. 890.504.

1. Eligibility to Elect Optional Insurance. An employee may elect one or more types of Optional life insurance coverage provided:

- 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. Pay, after all other deductions, is enough to cover the full cost.

2. Types of Optional Life Insurance

- a. Option A - Standard. Standard Optional life insurance coverage is available only for the employee and is fixed in the amount of \$10,000.
- b. Option B - Additional. Additional Optional life insurance coverage is available only for the employee and is an amount equal to one, two, three, four or five 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 is increased or decreased by an amount sufficient to raise or lower pay to a different \$1,000 bracket.
- c. Option C - Family. 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 individual.

*110603. Effective Dates for Withholding 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 election is received in the HRO. See 5 C.F.R. 870.504(d).

C. 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 an SF 2817 (Life Insurance Election: Federal Employees' Group Life Insurance Program) is properly filed. See 5 C.F.R. 870.502 to 505.

*110604. 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 and there is no government contribution. OPM periodically reviews the cost of insurance and notifies agencies of premium rate changes. FEGLI rates can be found in Table 11-1 and 11-2.

B. Amount of Withholding. During each pay period in which an insured employee is in pay status for any part of the period, the employee's full share of the premium must be withheld from the employee's biweekly pay. The withholding is based on the amount of insurance last in force during the pay period (usually the amount of insurance in effect on the last day of the pay period). If the employee dies or separates during a pay period, then the withholding is based on the amount of insurance in force on the date of death or separation. If the employee's BIA changes during the pay period, then the withholding amount is based on the BIA last in force during the pay period. There is no pro-rated premium withholding if an employee works only a partial pay period. If the employee is paid on a basis other than biweekly, then the biweekly withholding amount must be converted to correspond to the employee's pay periods. If the employee works less than 52 weeks per year, then the biweekly rate must be converted to an annual rate. The annual rate is then prorated over the number of pay periods in the year to determine the withholding amount. Withholdings and contributions for FEGLI are reported to OPM each pay period as described in Chapter 9 of this volume. See 5 C.F.R. 870.401 to 870.404.

C. Withholding 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, then use the order of precedence for deductions set out in Chapter 4 of this volume. 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 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 six months or more. If the HRO recognizes that an employee's pay will be insufficient to cover FEGLI premiums over the course of 6 months or more, the HRO must notify the employee. See FEGLI Handbook for an example notice. 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 also be eligible 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 or adjust or cancel coverage, then the HRO will administratively terminate as much coverage as necessary to allow for premium withholdings. If pay is not sufficient for any premium withholding, then all coverage will be terminated. The HRO will terminate coverage in the following order: multiples of Option C; then Option A; then multiples of Option B; then Basic insurance. Coverage stops at the end of the last pay period during which premiums were withheld.

3. Reinstating Withholding When Pay is Sufficient. If the employee terminated coverage or coverage was terminated administratively, then FEGLI coverage is automatically reinstated when the employee's pay becomes sufficient to cover the withholdings. If an employee paid premiums directly, then the employing office must start withholding premiums from the employee's pay as soon as the pay becomes sufficient.

D. Withholding and 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 110604.F of this chapter. Make-up withholdings from future salary payments are not required. 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 110606.C of this chapter. The 12 months in a nonpay status may be broken by periods of less than 4 consecutive months in a pay status. If the employee has at least 4 consecutive months in pay status after a period of nonpay status, then the employee is entitled to begin a new period of 12 months of coverage. 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, then the Basic insurance stops on the 32nd day 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, then the full premium (for both Basic and Optional coverage) is withheld and the government contribution is paid.

3. Withholding from Back Pay Awards. Except under the circumstances described at subparagraph 110609.A of this chapter, no FEGLI premium withholdings are made from back pay awarded to an employee who was determined to be erroneously suspended or terminated from employment.

4. Withholding 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, then insurance (Basic and Optional) continues.

a. The amount of Basic insurance is based on whichever position's salary is higher. Withholdings shall be made 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, then 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, then 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 Non-Pay Situations. Special non-pay 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. Coverage continues even if the employee remains in a nonpay status for more than 12 months. 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 to make contributions depends on the appointment. See FEGLI Handbook and 5 C.F.R. 870.508. If the employee does not elect to continue coverage, then the employee is 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 From Lump-Sum Annual Leave Payments upon Separation. No insurance premium is withheld from the lump-sum leave payment when the employee separates from Federal service. However, if the employee has a debt for underpayment of premiums, the agency may collect the debt from the lump-sum payment for annual leave.

F. Withholding While Employee is Receiving Office of Workers' Compensation Program (OWCP) Payments

1. 12 Months of Coverage as Employee. If an employee is in a nonpay status while receiving workers' compensation benefits, then the employee receives 12 months of coverage. The HRO must notify OWCP of the type and amount of life insurance the employee has in effect. OWCP will make withholdings from compensation when compensation begins, even during the first 12 months of nonpay status. OWCP does not make any withholding if the employee receives compensation for fewer than 29 days. Withholding is at the same rate that was withheld from the employee's salary. For compensationers, the agency continues to pay the Government contribution until you separate from service or complete 12 months in nonpay status, whichever happens first; after that, OPM pays the Government contribution. See FEGLI Handbook.

2. Continuing Coverage as a Compensation. If insurance coverage as an employee stops after 12 months in a nonpay status or due to separation, under 5 C.F.R. 870.701, then an OWCP compensationner may be eligible to continue Basic coverage (but not accidental death or dismemberment) and may continue or reinstate Optional insurance if:

a. The compensationner 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 compensationner has not converted to an individual policy.

3. Requesting Continuation of Coverage. The compensationner must complete an SF 2818 (Continuation of Life Insurance Coverage as an Annuitant or Compensationner). The HRO must provide the compensationner 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) and 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, then OPM's Retirement Operations Center will serve as the "employing office" and will maintain the compensationner'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), then the HRO must notify OWCP by completing a "Notice of Life Insurance Ineligibility." A copy of the Notice should be issued 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, then the agency must notify OWCP so that withholdings will end. See FEGLI Handbook.

G. Withholding for Employees in Concurrent Employment Positions. An employee who legally serves in more than one position at the same time, either in 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 share and also 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, then 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 then see the FEGLI Handbook.

*110605. 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. See OPM Payroll Office Letter P-99-14. Unless otherwise provided, the full withholding and contributions should be made for each pay period even if the employee is in pay status for only part

of the pay period. The FEGLI Daily Proration Rule should be used 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 when the transfer involves two agencies that are on different pay schedules.

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 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 withholdings and contribution rates as follows:

1. Determine the Daily Rate. To determine the Daily Rate for partial employee withholding and government contributions (for Basic insurance), multiply the biweekly employee withholding and government contribution rates by 26 and 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:

$$\text{Biweekly Employee Withholding} \times 26 \div 364 = \text{Daily Rate}$$

$$\text{Biweekly Government Contribution} \times 26 \div 364 = \text{Daily Rate}$$

2. Apply the Daily Rate to Formulas for Insurance Types. The Daily Rate should be computed using the formula discussed above. Once the Daily Rates have been computed, use the formulas below to determine the amount of withholdings and contributions (for Basic insurance) for which losing and gaining PROs are responsible:

a. For Option A, the formula is:

$$\text{Daily Rate} \times \text{Days on Payroll.}$$

b. For Basic Insurance and Option B the formula is:

$$\text{Daily Rate} \times \text{Coverage Amount} \div \$1,000 \times \text{Days on Payroll.}$$

c. For Option C, the formula is:

$$\text{Daily Rate} \times \text{Number of Multiples} \times \text{Days on Payroll.}$$

C. Active Employees. Use the FEGLI Daily Proration Rule to determine the gaining and losing PRO 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, then 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, then 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, then 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, then 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 the Basic insurance with the 75 percent reduction, then 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, then 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, then 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, then 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, then the PRO will make the withholdings based on the starting date of the annuity, the same as for retiring employees under age 65.

*110606. Termination, Cancellation and Extension of Life Insurance and Conversion

A. Termination. Termination of 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 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.

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 waiver is properly filed. Exception: if Optional C-Family optional is canceled because there are no eligible family members, the effective date is retroactive to the end of the pay period in which there are 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), 31 U.S.C. 3702 (b)(1), which limits the claim period to 6 years prior to the date the claim is submitted, does not apply to retroactive refunds for Option C.

3. Reinstating Insurance. See FEGLI Handbook for detailed information concerning cancelling a waiver of coverage. See also 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 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.

*110607. 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.

*110608. 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 Public Law 110-181, section 1102. Coverage applies to a member of a Reserve component of the Armed Forces who is called or ordered to active duty for greater than 30 days and who enters on approved LWOP (Absent-US) 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 terminates 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). The same type of insurance is reinstated 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 non-payment.

*110609. 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, then 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 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. 870.404(e) and the FEGLI Handbook.

2. Retroactive Pay Increase. When an employee receives a retroactive pay increase (one that was delayed beyond the proper effective date due to administrative error or oversight) resulting in an increase in life insurance premiums, deductions for the increased premium adjustment shall be applied retroactively.

B. Adjustment of Errors for Overdeductions and Underdeductions of FEGLI Premiums

1. Current Employees

a. Overdeduction. When an excess amount of premiums have been erroneously withheld from the salary of an employee, refund the erroneous withholding to the employee the next pay period. This automatically corrects the excess Government contribution.

b. Underdeduction. When less than or none of the proper amount of FEGLI premiums were withheld from the salary of the employee, the underdeduction represents an overpayment to the employee that must be collected. Underdeductions of FEGLI premiums are exempt from due process requirements if the underdeduction was for four pay periods or less immediately preceding the current pay period or the total amount of underdeduction was \$50 or less. See 5 C.F.R. 550.1104(c). Underdeductions of FEGLI premiums occurring over more than four pay periods, for any amount, are subject to due process requirements before collection may begin. Government contributions shall be adjusted when payment is received from the employee. 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.

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

a. When an adjustment in withholdings is necessary for a separated employee, withhold the amount from the final salary payment to the employee (or, if deceased, to the employee's beneficiary or estate).

b. If a valid claim for refund of deductions is received from a separated employee, then process the refund on a regular payroll in which FEGLI deductions are more than the refund amount.

*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. Generally, LTC insurance provides coverage for eligible employees, annuitants, and qualified family members 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 benefit toward the cost of covered services, such as home health care, adult day care, or nursing home or assisted living facility costs. See www.opm.gov or www.ltcfeds.com for additional information.

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 to the Defense Civilian Pay System (DCPS) for automatic payroll deductions.

B. Duties of Federal Agencies. Federal agencies are responsible for:

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 Benefits Administration Letters 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, then the employee is also eligible to apply for LTC insurance through FLTCIP, even if the employee is 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 employees (but not of retirees). 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, then 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, then the effective dates of coverage will be announced. If enrollment occurs any time outside of open season, then coverage is effective the first day of the month after the date the employee's application is approved. 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 and www.ltcfeds.com.

B. Payment of Premiums

1. Payment Options. An employee who qualifies for participation in the LTCIP has three payment options to choose from:

a. Payroll deduction;

b. Automatic bank withdrawal; or

c. Direct billing.

2. Payroll Deductions. If premiums are paid through payroll deductions, then 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, then the employee will pay retroactive premiums to the carrier for the amount due. If the Carrier determines that the employee has overpaid premiums, then 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 as soon as possible 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 that were 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 Uniformed Services University of the Health Sciences (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. See USUHS Civilian Faculty Benefits Plan, Instruction 1418 (September 13, 2006) at Enclosure 3.

***1109 NATIONAL GUARD ASSOCIATION OF UNITED STATES (NGAUS) INSURANCE TRUST (IT) PROGRAM**

***110901. NGAUS-IT**

Army and Air National Guard Technicians (Title 32 Technicians) may choose to participate in the National Guard Association of the United States Insurance Trust (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. See www.ngaus.org.

*110902. Premium Deductions

Technicians who participate in NGAUS-IT agree to have insurance premiums deducted from their biweekly pay on the NGAUS-IT enrollment form. CSRs must work closely with ReliaStar Life Insurance Company which will confirm the approval of enrollment and provide 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 must enter the appropriate premium deduction information into DCPS. Premiums will be deducted for the entire pay period, regardless of the day of termination and premiums will not be prorated.

*110903. Disability Income Insurance Plan

The Disability Insurance Plan offers protection for the Technicians when they are unable to work due to a disability. Biweekly premiums for Disability Income coverage are based on age, salary, and coverage selected. Technicians have the following Disability Income insurance plans available:

A. Basic Disability Income Insurance Plan or TECHPAY Disability

1. Coverage is available only for the Technician up to age 60; and
2. Guaranteed Issue if applied for within 31 days of employment or during open enrollments.

B. Supplemental Disability Income Insurance Plan

1. Coverage is available only for the Technician up to age 60;
2. Technician must be enrolled in TECHPAY Basic; and
3. Guaranteed Issue if applied for within 31 days of employment or during open enrollments.

*110904. National Guard Term Life Insurance Plan

The Term Life Insurance Plan offers Basic and Supplemental Term Life insurance protection for the Title 32 Technician plus optional coverage for the spouse and children. Biweekly premiums for Term Life coverage are based on age and coverage selected.

A. National Guard Term Life – Basic and Supplemental

1. Coverage is available to the technician and or spouse up to age 70;
2. Term insurance coverage with Accidental Death benefit of \$50,000 while on paid State Active duty;

- age 70;
3. At age 65, coverage reduces 50 percent and coverage terminates at age 70;
 4. Children's coverage up to \$10,000 (\$2,000 in New York) per child; and
 5. Guaranteed Issue for Technician only for \$50,000 of coverage if application is made within 31 days of employment or during open enrollments.

B. ValuLife Plan. The ValuLife Plan is a Whole Life Insurance Policy that is no longer available for new enrollment. Technicians that elected ValuLife coverage prior to August 1, 1996 may keep their coverage in force and their policies remain unchanged.

C. Universal Life. The Universal Life Plan is no longer available for new enrollment. Technicians that elected Universal Life coverage prior to April 1, 2000 may keep their coverage in force and their policies remain unchanged.

1110 THRIFT SAVINGS PLAN (TSP)

*111001. General

The Federal Employees' Retirement System Act of 1986 established the Thrift Savings Plan (TSP), a retirement savings and investment plan for Federal employees. See 5 U.S.C. Chapter 83, 5 U.S.C. Chapter 84 and 5 C.F.R. Part 1600. TSP offers eligible employees tax deferral advantages similar to "401(k)" plans available to many private sector employees. The plan is administered by the Federal Retirement Thrift Investment Board. 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 is covered under CSRS, then TSP is a supplement to the CSRS annuity. If the employee is covered under FERS, then TSP is part of the three-part retirement package that includes the FERS basic annuity and Social Security. See also TSP.gov 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. Three percent of the employee's basic pay is deducted each pay period and deposited 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, savings in the amount of 7 percent of basic pay are deposited into the employee's TSP account each pay period. All contributions are invested in the government Securities Investment (G) Fund until the employee changes the contribution allocation with the TSP.

B. FERS Employees Hired Before August 1, 2010. Employees automatically have a TSP account accruing Agency Automatic (1 Percent) Contributions. 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) or Agency Matching Contributions.

D. Contribution Elections. A contribution election is used to start, stop or change Employee Contributions. A contribution election may be made at any time, as instructed by the employing agency, by submitting a paper election form or by using electronic media (such as EBIS or myPay). 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. Paper forms include the TSP-1 Election Form and the TSP-1-C Catch-Up Contribution Election Form and 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. Parts 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. Contributions are deducted 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 earnings accrued on such contributions.

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 are published at tsp.gov. See 5 C.F.R. 1600.22.

2. Contribution Limits Through 2005. The maximum employee contribution from basic pay for FERS, CSRS and CSRS-Offset participants was limited through 2005 to a percentage of basic pay. This limit does not apply after 2005; after 2005 contribution limits are set by the IRS. 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 will be separate from the participant's regular contribution election. Catch-up contributions for employees covered by

FERS are not eligible for agency matching contributions. Catch-up contributions are subject to catch-up contribution limits set by the IRS. The employee may make the catch-up contributions at any time during the calendar year if he or she:

- a. Is at least age 50 by the end of the calendar year;
- b. Is making regular TSP contributions at a rate that will result in the participant making the maximum regular contributions permitted under the IRC; and
- c. Does not exceed the annual limit on catch-up contributions contained in the IRC.

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 Thrift Savings Plan Enhancement Act of 2009 eliminated the waiting period for FERS employees to receive the Agency Automatic 1 Percent Contributions. For additional information, see TSP Bulletin 10-7. 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 the agency contribution. Generally, most FERS employees become vested in, or entitled to, the Agency Automatic Contributions (and any earnings) after completing 3 years of service. An employee's vesting information appears on the quarterly and annual TSP participant statement. An employee who leaves prior to the vesting requirement forfeits the Agency Automatic Contributions. An employee who dies before separating from service is automatically vested in all of the money in the employee's TSP account.

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 first 3 percent of pay the employee contributes will be matched dollar for dollar. The next 2 percent of pay is matched at 50 cents per dollar. Employee contributions above 5 percent will not be matched. Employees covered under CSRS do not receive agency matching contributions.

E. Contribution Allocations. An employee may make a contribution allocation directing how he or she wants to invest money being deposited into the employee's TSP account. The contribution allocation applies only to future deposits and does not affect money already in the account (an Interfund Transfer reallocates existing investments). The contribution allocation directs the investment of Employee Contributions, Agency Automatic (1 Percent) Contributions, and Agency Matching Contributions. A contribution allocation remains in effect until superseded by a subsequent contribution allocation submitted by the employee. Contribution allocations must be in one percent increments and the sum of the percentages elected must equal 100 percent. An employee may change a contribution allocation using the TSP website or using ThriftLine (using the automated system or by 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 loans outstanding at any time and loan payments must be made through payroll deduction. Repayment must restore the original loan amount, plus interest. Repayment is deducted each pay period 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 individual's TSP account balance, not including any outstanding loan balance;

b. 50 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. Correction of Administrative Errors

A. General. See 5 C.F. R. Part 1605. TSP errors may result from the following:

1. Missed or Insufficient Contributions. Generally, missed or insufficient contributions are corrected prospectively. The agency must notify the TSP participant of his or her ability to make up the missed contributions and receiving matching agency contributions (if applicable). There is no payment of breakage on makeup Employee Contributions. See subparagraph 111005.B of this chapter for information concerning breakage.

a. Notification. The notification should be in writing and should include the amount of the Employee Contributions, Agency Automatic (1 Percent) Contributions, and the Agency Matching Contributions that are to be made up or deposited retroactively to the employee's TSP account. The TSP participant should be advised that he or she is not required to make up missed or insufficient contributions. The participant should be advised that repayment will only be made by deductions from basic pay and that no personal checks will be accepted. The option of setting a repayment schedule should be addressed. An employee has 30 days to respond to the notification.

b. Repayment Schedule. An agency may not require a TSP participant to make up contributions in less than twice the number of pay periods the contributions were missed. However, the maximum length of the repayment schedule may not exceed four times the number of pay periods over which the error occurred.

2. 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. The agency will be credited 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.

3. Retroactive Pay Adjustments (Back Pay Awards)

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. 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 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. An annotation of retroactive employee contributions by year should be made on the IRS Form W-2 (Wage and Tax Statement). TSP will not accept retroactive contributions for erroneous separations directly from the Department of Justice fund or by check.

b. Other Retroactive Pay Adjustments. The agency should deduct TSP contributions from the pay adjustment using the employee's election on file for the period of the pay award. Breakage is calculated by TSP based on the contribution allocation on file when the contribution would have been made.

4. 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. When the CSRS employee is misclassified as a FERS participant, then the following applies to the corrected record:

(1) Employee contributions that exceed 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. When the FERS employee is misclassified as a CSRS participant, then 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 that were made while the employee was misclassified.

(4) If the misclassified coverage is a Federal Erroneous Retirement Coverage Corrections Act (FERCCA) correction, then 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, then 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, then 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. If the employee was misclassified as either FERS or CSRS and the retirement coverage is corrected to FICA only, then the employee is no longer eligible to participate in TSP. See 5 C.F.R. 1605.14(c) for rules regarding employee and agency contribution in the employee's account.

d. If the employee was misclassified as FICA only and the retirement coverage is corrected to either FERS or CSRS, then 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.

B. Breakage. Breakage, or "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. This includes breakage on late contributions, makeup agency contributions and loan payments. Breakage is calculated by TSP and is subject to the following:

1. TSP will not calculate breakage if contributions or loan payments are posted within 30 days of the "as of" date, or if the total amount on a late payment record or the total agency contributions on a current payment record is less than \$1.00; and

2. TSP will not take the employee's interfund transfers into account when determining breakage.

C. Contributions Missed as a Result of Military Service

1. Employee Contributions. FERS and CSRS Employees who separated from Federal civilian service or who were on LWOP 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 as a result of their military service. FERS employees are eligible to receive matching agency contributions. Employee Contributions must

be deducted from future pay. Employees must meet conditions specified in [5 C.F.R. 1620.40](#). Dollar amounts contributed to TSP while on active duty will offset any amount that can be made up. Total contributions may not exceed the IRS limit in effect the year the contribution would have been made. Upon reemployment or return to a pay status after military service, an employee has 60 days to elect to make up any missed contributions. Employees who wish to make up contributions under this authority should review the information on the TSP website regarding [Resuming and Making Up Contributions](#).

2. [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 LWOP or separation. The contribution is based on the basic pay the employee would have earned and is entitled to breakage.

3. [Agency Matching Contributions](#). The agency must deposit Agency 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. Agency Matching Contributions are also paid 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, military service began being used 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. 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. If the employee makes a military deposit, then the amount must be paid in full before OPM completes the adjudication of the retirement annuity. Military Deposits cannot be made once the employee retires and starts receiving their annuity from OPM. For additional information, see [5 U.S.C. 8332](#), [5 U.S.C 8411](#) and the [CSRS and FERS Handbook, Chapter 22](#).

B. [Post-56 Deposit Payments](#). Post-56 Military Deposits may be made in installment payments. 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 be used. Payments other than payroll deductions must be submitted directly to the

DFAS-Cleveland Disbursing Office in the form of a negotiable instrument. These payments must be submitted in time to be received by the disbursing officer by the close of business on the last regular business day before the interest accrual date. Therefore, if a deposit is sent by mail, the date of the postmark does not constitute the date of payment. Interest will be computed on the unpaid balance on the employee's interest accrual date. An employee may elect to make a deposit through payroll deduction or may make payments directly to:

DFAS-Cleveland Site
P.O. Box 99559
Cleveland, OH 44199-8019

*111102. FERS Post-56 Military Deposit

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. No interest will be charged 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. 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 individual 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

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. Individuals who were first employed under CSRS before October 1, 1982, will 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 individual 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 accrued interest is added 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 deposit is paid in full. No interest will be charged if the deposit is paid in full before the first IAD.

*Table 11-1 Basic Life Insurance Employee Cost

Effective January 1, 2005

Payroll Method	Withholding per \$1,000 Insurance
Biweekly	\$0.15

Optional Life Insurance Employee Cost

OPTION - A (Per \$10,000 coverage)		OPTION - B (Per \$1,000)	
Under 35	\$.30	Under 35	\$.03
35-39	\$.40	35-39	\$.04
40-44	\$.60	40-44	\$.06
45-49	\$.90	45-49	\$.09
50-54	\$1.40	50-54	\$.14
55-59	\$2.70	55-59	\$.28
60 and over	\$6.00	60-64	\$.60
		65-69	\$.72
		70-74	\$1.20
		75-79	\$1.80
		80 and over	\$2.40

OPTION - C (Per Multiple of \$5,000/\$2,500)	
Under 35	\$.27
35-39	\$.34
40-44	\$.46
45-49	\$.60
50-54	\$.90
55-59	\$1.45
60-64	\$2.60
65-69	\$3.00
70-74	\$3.40
75-79	\$4.50
80 and over	\$6.00

Note: The withholding amounts shown for Optional life insurance are based on a biweekly payroll period.

*Table 11-2 Basic Life Insurance Employee Cost

Effective January 1, 2012

Payroll Method	Withholding per \$1,000 Insurance
Biweekly	\$0.15

Optional Life Insurance Employee Cost

OPTION - A (Per \$10,000 coverage)		OPTION - B (Per \$1,000)	
Under 35	\$.30	Under 35	\$.02
35-39	\$.40	35-39	\$.03
40-44	\$.60	40-44	\$.05
45-49	\$.90	45-49	\$.08
50-54	\$1.40	50-54	\$.13
55-59	\$2.70	55-59	\$.23
60 and over	\$6.00	60-64	\$.52
		65-69	\$.62
		70-74	\$1.14
		75-79	\$1.80
		80 and over	\$2.40

OPTION - C (Per Multiple of \$5,000/\$2,500)	
Under 35	\$.22
35-39	\$.29
40-44	\$.42
45-49	\$.63
50-54	\$.94
55-59	\$1.52
60-64	\$2.70
65-69	\$3.14
70-74	\$3.60
75-79	\$4.80
80 and over	\$6.60

Note: The withholding amounts shown for Optional life insurance are based on a biweekly payroll period.

*Table 11-3 Life Insurance Enrollment Status Codes

<u>Code</u>	<u>Coverage</u>
A1	Ineligible for life insurance coverage – LWOP exceeding 12 months
A0	Ineligible for life insurance coverage – Position is excluded from FEGLI coverage
B0	Waived all life insurance
C0	Basic life insurance only
D0	Basic life plus Standard Option
E1	Basic life plus Family Option with 1 multiple
E2	Basic life plus Family Option with 2 multiples
E3	Basic life plus Family Option with 3 multiples
E4	Basic life plus Family Option with 4 multiples
E5	Basic life plus Family Option with 5 multiples
F1	Basic life plus Standard and Family Option with 1 multiple
F2	Basic life plus Standard and Family Option with 2 multiples
F3	Basic life plus Standard and Family Option with 3 multiples
F4	Basic life plus Standard and Family Option with 4 multiples
F5	Basic life plus Standard and Family Option with 5 multiples
G0	Basic life plus Additional Option with 1 times basic pay
H0	Basic life plus Additional Option with 1 times basic pay and Standard Option
I1	Basic life plus Additional Option with 1 times basic pay and Family Option with 1 multiple
I2	Basic life plus Additional Option with 1 times basic pay and Family Option with 2 multiples
I3	Basic life plus Additional Option with 1 times basic pay and Family Option with 3 multiples
I4	Basic life plus Additional Option with 1 times basic pay and Family Option with 4 multiples
I5	Basic life plus Additional Option with 1 times basic pay and Family Option with 5 multiples

***Table 11-3 Life Insurance Enrollment Status Codes (Continued)**

<u>Code</u>	<u>Coverage</u>
J1	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 1 multiple
J2	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 2 multiples
J3	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 3 multiples
J4	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 4 multiples
J5	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 5 multiples
K0	Basic life plus Additional Option with 2 times basic pay
L0	Basic life plus Additional Option with 2 times basic pay and Standard Option
M1	Basic life plus Additional Option with 2 times basic pay and Family Option with 1 multiple
M2	Basic life plus Additional Option with 2 times basic pay and Family Option with 2 multiples
M3	Basic life plus Additional Option with 2 times basic pay and Family Option with 3 multiples
M4	Basic life plus Additional Option with 2 times basic pay and Family Option with 4 multiples
M5	Basic life plus Additional Option with 2 times basic pay and Family Option with 5 multiples
N1	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 1 multiple
N2	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 2 multiples
N3	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 3 multiples
N4	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 4 multiples
N5	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 5 multiples
90	Basic life plus Additional Option with 3 times basic pay
P0	Basic life plus Additional Option with 3 times basic pay and Standard Option

*Table 11-3 Life Insurance Enrollment Status Codes (Continued)

<u>Code</u>	<u>Coverage</u>
Q1	Basic life plus Additional Option with 3 times basic pay and Family Option with 1 multiple
Q2	Basic life plus Additional Option with 3 times basic pay and Family Option with 2 multiples
Q3	Basic life plus Additional Option with 3 times basic pay and Family Option with 3 multiples
Q4	Basic life plus Additional Option with 3 times basic pay and Family Option with 4 multiples
Q5	Basic life plus Additional Option with 3 times basic pay and Family Option with 5 multiples
R1	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 1 multiple
R2	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 2 multiples
R3	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 3 multiples
R4	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 4 multiples
R5	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 5 multiples
S0	Basic life plus Additional Option with 4 times basic pay
T0	Basic life plus Additional Option with 4 times basic pay and Standard Option
U1	Basic life plus Additional Option with 4 times basic pay and Family Option with 1 multiple
U2	Basic life plus Additional Option with 4 times basic pay and Family Option with 2 multiples
U3	Basic life plus Additional Option with 4 times basic pay and Family Option with 3 multiples
U4	Basic life plus Additional Option with 4 times basic pay and Family Option with 4 multiples
U5	Basic life plus Additional Option with 4 times basic pay and Family Option with 5 multiples

*Table 11-3 Life Insurance Enrollment Status Codes (Continued)

<u>Code</u>	<u>Coverage</u>
V1	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 1 multiple
V2	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 2 multiples
V3	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 3 multiples
V4	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 4 multiples
V5	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 5 multiples
W0	Basic life plus Additional Option with 5 times basic pay
X0	Basic life plus Additional Option with 5 times basic pay and Standard Option
Y1	Basic life plus Additional Option with 5 times basic pay and Family Option with 1 multiple
Y2	Basic life plus Additional Option with 5 times basic pay and Family Option with 2 multiples
Y3	Basic life plus Additional Option with 5 times basic pay and Family Option with 3 multiples
Y4	Basic life plus Additional Option with 5 times basic pay and Family Option with 4 multiples
Y5	Basic life plus Additional Option with 5 times basic pay and Family Option with 5 multiples
Z1	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 1 multiple
Z2	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 2 multiples
Z3	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 3 multiples
Z4	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 4 multiples
Z5	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 5 multiples