United States
Office of Personnel Management
Retirement and Insurance Service

Benefits Administration Letter
Number: 99-203 Date: February 9, 1999

Subject: **Federal Employees' Group Life Insurance: Public Law 105-311 - Increased Amount of Option C and Election of Unreduced Options B and C at Retirement**

GENERAL INFORMATION

Background

Pub. L. 105-311, Federal Employees Life Insurance Improvement Act, enacted October 30, 1998, made numerous changes to the Federal Employees' Group Life Insurance (FEGLI) Program.

Those changes include increasing the amount of Option C coverage available and allowing retiring employees and employees becoming insured as compensationers to elect unreduced Options B and C.

Purpose

The purpose of this Benefits Administration Letter (BAL) is to provide detailed information relating to these two new provisions of the law.

INCREASED AMOUNT OF OPTION C

Current Amount of Option C

Currently, Option C coverage is $5,000 for a spouse and $2,500 for each eligible child.

What Is the New Amount?

The new law allows Federal employees to elect up to 5 multiples of the current amounts. The maximum amount of Option C available therefore will be $25,000 for a spouse and $12,500 for each eligible child.

When Does this Change Go into Effect?

This change becomes effective April 24, 1999.

Can Employees Elect a Different Number of Multiples for Different Family Members?

No. The number of multiples an employee elects applies to all eligible family members. For instance, an employee cannot elect 4 multiples on a spouse and 2 on a child.

Can Employees Elect the New Amounts Right Away?

Yes and no. It depends on the situation.

New employees who enter on duty on or after April 24, 1999, *and employees who are newly eligible* for FEGLI coverage on or after April 24, 1999, can elect the increased amounts at the time they become eligible.

Current employees who have a life event on or after April 24, 1999, can elect or increase Option C within 60 days of the event.

Current employees who already have Option C and who have (or had) a life event between October 30, 1998, and April 23, 1999, can elect additional multiples of Option C within 60 days after April 24, 1999.

Current employees who do not fit into any of the above categories can elect additional multiples of Option C during the April 24-June 30, 1999, open enrollment period.

How Many Multiples of Option C Can an Employee Elect Due to a Life Event?

For marriage, an employee can elect a number equal to the number of eligible family members acquired with the marriage.

For acquisition of children, an employee can elect a number equal to the number of eligible children acquired. Foster children "count" as eligible children for electing or increasing Option C coverage; however, they do not "count" for electing or increasing Option B coverage.

For divorce or death of a spouse, an employee can elect a number equal to the total number of his/her eligible children.

In no case can the total number of multiples exceed 5.

What Is the Effective Date of Employees' Elections of Increased Option C Coverage?

For those who elect Option C coverage as *new or newly eligible employees* on or after April 24, 1999, the coverage becomes effective the first day the employee enters on duty in pay status on or after the day the employing office receives the SF 2817.

For those who elect or increase Option C coverage because of a *life event that occurs on or after April 24, 1999*, the coverage becomes effective the day the employing office receives the SF 2817 or the date of the event, whichever is later.

For those who increase Option C coverage because of a *life event occurring between October 30, 1998, and April 23, 1999*, the increased coverage becomes effective retroactive to the pay period that includes April 24, 1999.

For those who elect or increase Option C coverage during the upcoming *open enrollment period*, the coverage becomes effective the first pay period beginning on or after April 23, 2000, which follows a pay period during which the employee was in pay and duty status.

Open Enrollment Information

We will issue a separate BAL with detailed information concerning the upcoming open enrollment period.

Can Employees Carry the Increased Option C Coverage into Retirement?

The increased amount of Option C coverage is subject to the 5-year/first opportunity requirement the same as any other FEGLI coverage.

For employees who elect the increased coverage due to a life event, that event constitutes their first opportunity. For employees who do not experience a life event, the April 24-June 30, 1999, open enrollment period is their first opportunity.

Employees who elect the increased coverage at their first opportunity and retire within 5 years of the effective date of their coverage will be able to continue the coverage into retirement.

NOTE: Employees who elect additional multiples of Option C during the upcoming open enrollment period, and *who retire before the coverage becomes effective*, will *not* be able to continue the increased coverage into retirement.

ELECTION OF UNREDUCED OPTIONS B AND C AT RETIREMENT

The Way It Is Currently

Currently, when an employee retires and is eligible to continue FEGLI coverage, he/she can choose the amount by which his/her Basic insurance will reduce after age 65: 75% Reduction, 50% Reduction, or No Reduction.

There is no such choice for Optional insurance. Options A, B, and C all reduce automatically. Option A reduces until only 25% of the amount is left, and Options B and C reduce until they are gone entirely. Optional insurance is free for annuitants after the age of 65.

What Does the New Law Do?

Pub. L. 105-311 allows retiring employees and employees who are becoming insured as compensationers to elect unreduced Options B and C. Premiums will continue to be withheld from the annuity or compensation after age 65.

When Does This Become Effective?

This provision of the new law becomes effective April 24, 1999.

This will apply to employees separating for retirement (or compensationers completing 12 months in nonpay status) on or after April 24, 1999.

What Are a Retiring Employee's Choices Regarding Reduction?

A retiring employee must choose either Full Reduction or No Reduction. There are no partial reductions.

What Happens If an Employee Chooses

If a retiring employee chooses Full Reduction, his/her coverage will reduce just as it does now, beginning at age

Full Reduction?

65 (or at retirement, if the person is over age 65 at the time of retirement). The reduction is 2% per month until there is no coverage left. The annuitant/compensationer pays no premiums after age 65.

What Happens If an Employee Chooses No Reduction?

If a retiring employee chooses No Reduction, his/her coverage will not reduce at all. After age 65, he/she will continue to pay premiums appropriate to his/her age.

When Must a Retiring Employee Make the Election?

Employees must make their election at the time of retirement (or for compensationers, at the time of separation or the completion of 12 months in nonpay status). The election is made on the SF 2818, which is being revised.

What If the Employee Doesn't Make an Election?

If a retiring employee or an employee becoming insured as a compensationer doesn't make an election on the SF 2818, he/she will automatically get Full Reduction.

Does an Employee Have to Make the Same Election for Both Options B and C?

No. A retiring employee may elect Full Reduction for one Option and No Reduction for the other.

Can an Employee Choose Full Reduction for Some Multiples and No Reduction for Other Multiples?

No. An employee with more than one multiple of Option B must elect either Full Reduction or No Reduction for all the multiples. The same is true for Option C.

Can an Annuitant or Compensationer Change the Election?

An annuitant or compensationer who elects No Reduction can change to Full Reduction at any time. However, a person who elects Full Reduction cannot change to No Reduction more than 30 days after he/she receives the first regular annuity check.

What about Employees Who Retire before April 24, 1999?

Employees who are already retired or insured as compensationers when this new provision goes into effect, and who have Option B, will be given a one-time opportunity to elect unreduced Option B coverage.

Those whose Option B has already started reducing can elect to have their coverage "frozen" at whatever amount is left as of April 24, 1999, and to have no further reductions.

Annuitants and compensationers who make this election will start paying the premiums appropriate to their age.

These annuitants and compensationers will *not* be able to elect unreduced Option C.

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