

General RIF Overview

A reduction in force (RIF) occurs when an agency is obliged to demote, separate, furlough, or reassign to an occupied position one or more employees because of lack of work, shortage of funds, or reorganization. The cause of reduction in force may come from action of Congress, the President, the Office of Management and Budget, or from decisions of the head of the agency or some official who has been authorized to make such decisions.

Whatever the source of the requirement for reduction in force, IRS officials must decide how to distribute the remaining resources and what parts and programs to cut and how much. This may require the balancing of priorities so as to cause the least necessary delay in completing the work to be done after the reduction in force.

To take the first procedural steps toward reduction in force, the IRS must describe the limits within which employees will compete with each other for retention in their jobs. The first limit, which is organizational and geographical, is called the **competitive area**. A large agency like the IRS will be divided into many competitive areas.

The IRS may make its competitive areas as large as it considers appropriate. We will not make them smaller than the minimum prescribed by civil service regulations. Regulations (5 CFR 351.402) state:

A competitive area must be defined solely in terms of the agency's organizational units and geographical location, and it must include all employees within the competitive area so defined. A competitive area may consist of all or part of an agency. The minimum competitive area is a subdivision of an agency under separate administration within the local commuting area.

The second limit, called the **competitive level**, is by grade and occupation. Each competitive level consists of all positions in a competitive area in the same grade and series, and similar enough in duties, qualification requirements, pay schedules, and working conditions so that an agency may reassign the incumbent of one position to any of the other positions in the level without undue interruption. This is generally interpreted to mean that a 90-day orientation period would be considered as not causing undue interruption. However, 90 days is a rule of thumb only, and depending on the duties and responsibilities of the position, a longer or shorter period of time would be acceptable.

A competitive level may consist of many positions, a few positions, or only one. A job that is highly specialized and not interchangeable with any other job is in a competitive level all by itself. Every job in a competitive area in which a reduction in force will occur must be assigned to a competitive level.

Retention Registers

The names of all employees in a competitive level are listed on a retention register in the order of their relative retention standing. Your relative standing is based on four factors:

- Tenure of Employment
- Preference Eligibility
- Service Computation Date
- Performance Appraisal

Tenure

Tenure refers to the period of time you may reasonably expect to serve under your current appointment. Tenure, the first factor of the four, determines your **retention group**.

Tenure Group	Competitive Service Employees	Excepted Service Employees
Group I	Career employees who are not serving probation. (Supervisory/managerial probationary periods do not affect tenure group)	Includes permanent positions not subject to a time limitation
Group II	Career employees who are serving a probationary period and career conditional employees	Includes employees serving a trial period
Group III	Employees who are on term, indefinite, or status quo appointments, Temporary Appointments Pending Establishment of a Register (TAPER), or other non-status non-temporary appointments	Includes employees serving on time limited appointments of more than 1 year, or who hold a temporary appointment limited to 1 year and have completed more than 1 year of continuous service on similar temporary appointments

Temporary employees are in "Tenure Group 0" and do not compete in a RIF.

Preference Eligibility

The second factor, preference eligibility (veterans' preference for RIF), determines your **subgroup**. Preference eligibility differs from veterans' preference; it requires that a veteran has served in the military at specific times

or in specific places. Many veterans (including most retired military) are not preference eligible in RIF.

Each of the three tenure groups is further divided into three subgroups reflecting your entitlement to veterans' preference for RIF. The subgroups are:

Subgroup	Employees
AD	Preference eligibles with a compensable service-connected disability of 30% or more
A	Preference eligibles not included in subgroup AD. These are preference eligibles with no service-connected disability or one of less than 30%. This group also includes spouses, widows/widowers, and mothers who may be entitled to derived preference based on the military service of a veteran.
B	Non-veterans

Service Computation Date/Performance

In each subgroup employees are ranked in the order of the length of service (service computation date) with any adjustments required by the extra service credit given for performance ratings.

Credit is given for three annual performance ratings of record in the four years preceding the date on which IRS freezes ratings before the RIF. In order to assure that we have correct information on which to construct the retention registers, the Service will establish a cut-off date of 90 days for performance ratings before the specific RIF notices are issued. Note that the additional service derived from performance appraisals is used for RIF competition only.

Credit for Performance

During the 4 years prior to the cut-off date, if you received...	Then...
More than 3 ratings	The average of the 3 most recent annual ratings of record will be

	used
Two ratings only	The average of these ratings will be used.
One rating only	You will receive credit for this rating.
No ratings	You will receive credit for the previously determined modal rating.

Performance credit affects RIF SCD in the following ways:

- For each annual summary rating of **Outstanding**, you are credited with **20** additional years of service
- For each annual summary rating of **Exceeds Fully Successful**, you are credited with **16** additional years of service
- For each annual summary rating of **Fully Successful**, you are credited with **12** additional years of service
- Annual summary ratings of **Minimally Successful** or **Unacceptable** receive **NO** credit.

You receive service credit for the mathematical average of three performance ratings. If this average results in a fraction, service credit is rounded up to the next whole year.

Example

June's last 3 performance ratings of record are:

2002 - Outstanding 20

2001 - Fully Satisfactory 12

2000 - Fully Satisfactory 12

44 divided by 3 = 14.66.
Round up to 15

June receives 15 years service credit for RIF. If her service computation date were July 25, 1977, her adjusted service

computation date for RIF would be July 25, 1962 (1977 - 15 years = 1962)

Modal Rating

An employee who has not received any rating of record during the 4-year period established for performance credit in a RIF shall receive credit for performance based on the modal rating for the summary level pattern that applies to the employee's official position of record at the time of the reduction in force. The modal rating is the summary rating level assigned most frequently among the actual ratings of record that are assigned to employees summary level pattern, given within the same competitive area (or larger), and on record for the most recently completed appraisal period prior to the cutoff date for performance appraisals.

Standing on a Retention Register

Employees in a competitive level are ranked on the retention register in the following order, starting at the top. Within these tenure subgroups, employees are listed in order of SCD's adjusted for performance.

- AD Career preference eligibles who have a compensable service-connected disability of 30% or more
- I-A Other career preference eligible veterans
- I-B Career employees who are not preference eligible
- II- Preference eligibles who have a compensable service-connected AD disability of 30% or more with career-conditional appointments or serving a probationary period (except supervisory/managerial)
- II-A Other preference eligibles with career-conditional appointments or serving probationary periods.
- II-B Non-preference eligibles with career-conditional appointments or serving probationary periods
- III- Preference eligibles who have a compensable service-connected AD disability of 30% or more with indefinite or other appointments included in Tenure Group III
- III-A Preference eligibles with indefinite or other appointments included in Tenure Group III
- III-B Non-preference eligibles with indefinite or other appointments included in Tenure Group III

In the normal order of release from the competitive level, no employee is released unless everyone below him/her on the retention register is released. This means that everyone in Subgroup III-B must be released before anyone in Subgroup III-A or higher subgroups and so on up the register from the bottom. If some, but not all, must be released from a particular subgroup, the ones to be released are those with the least service.

Service credit is figured to the day, so that a person with 7 years, 10 months, and 3 days of service will stand higher on the register than one with 7 years, 10 months, and 2 days.

Appeals/Grievances

If you believe that the Service has not correctly applied the reduction in force regulations in your case, you may appeal the action to the Merit Systems Protection Board or, when permitted under the negotiated grievance procedure, file a grievance. The appeal or the grievance may include such matters as the extent of the competitive area and competitive level, the determination of your retention standing, and your qualifications for some job held by a person you could displace. If you win the grievance, you may be restored to the job you previously held or placed in the job to which you should have been assigned or demoted in the reduction in force.

RIF NOTICES

SPECIFIC NOTICE

A specific RIF notice is a written communication from an IRS official to an individual employee stating that he/she will be reached for a specific RIF action.

Time Limits

We must give each affected competing employee at least 60 calendar days written notice before the effective date of the RIF. Neither the day the notice is delivered nor the effective date of the action count as part of the 60-day notice period. There is no maximum notice period.

Content

Each specific notice must state:

- What RIF action is being taken;
- The reasons for the RIF;
- The effective date of the action;

- Your competitive area, competitive level, retention subgroup, service date, and annual performance ratings received in the last 3, or if applicable, 4 years.
- The place where you may inspect the regulations or records pertinent to your case;
- An estimate of severance pay, if you are entitled to it;
- Information on your appeal or grievance rights; and
- Information on the Reemployment Priority List (RPL) and the Career Transition Assistance Program (CTAP), if you will be separated through RIF procedures.

SEVERANCE PAY

Severance pay is compensation provided to eligible employees who are involuntarily separated for reasons other than removal for cause. The severance pay fund is the total severance pay to which an employee is entitled during a single entitlement.

Eligible Employees

Full-time or part-time employees with a regularly scheduled tour of duty who are serving under a/an:

- Career or career-conditional appointment without time limitation in the competitive service or its equivalent in the excepted service;
- Excepted appointment without time limitation, except Schedule C; or
- Overseas appointment without time limitation, or status quo appointment.

Non-Eligible Employees

Employees:

- With an intermittent work schedule
- Serving under a time-limited appointment that is not made effective within 3 calendar days after separating from a qualifying appointment, including temporary, term, and TAPER appointments.
- With a Schedule C excepted appointment.
- Who are subject to any retirement law or retirement system applicable to Federal employees, and who, at the time of separation, are entitled to an immediate annuity (beginning within 31 days of separation). This includes discontinued service retirements but not survivor annuities.

- Who, at the time of separation, are entitled to an immediate annuity that was earned as a member of the military service. (NOTE: Entitlement to an annuity more than 31 days after separation has no effect on severance pay entitlement.)
- Who, at the time of separation, are receiving injury compensation from the Department of Labor (except for an employee receiving this compensation concurrently with pay or because of the death of another person.)
- Who, at the time of separation, decline a reasonable offer of a position for which they are qualified and which is:
 - Offered in writing;
 - In the agency;
 - In the employee's commuting area (unless mobility is a condition of employment);
 - Of the same tenure and work schedule; and
 - Not lower than two grades or pay levels below the current grade or pay level.

- **BASIC ENTITLEMENT**

Twelve Months Continuous Service

An employee must be on agency rolls and/or the rolls of another Federal agency:

- under one or more appointments without time limitation (or temporary appointments that precede or follow an appointment without time limitation)
- without any break in service of more than three calendar days for at least 12 calendar months.

Failure to Accept Assignment

The separation of an employee who declines to accept assignment to another commuting area is considered to be an involuntary separation when the assignment is the result of, or in conjunction with, a RIF.

The only time severance pay can be denied for refusal to accept assignment to another commuting area is when geographic reassignment is a condition of employment as evidenced by a mobility agreement.

Meeting the Requirement for Involuntary Separation:

Involuntary separation does not include removal for cause on charges of misconduct, delinquency, inefficiency, or failure to comply with mobility requirements in a position description or other written mobility agreement.

An employee who resigns because he/she expects to be involuntarily separated is considered to have been involuntarily separated when he/she resigns after receiving:

- A specific notice in writing that he/she is to be involuntarily separated and the notice is not canceled before the resignation is effective.
- A general written notice of reduction in force that announces that all positions in the competitive area will be abolished or transferred to another commuting area.

Except for the resignations described above, all resignations are voluntary separations and do not carry entitlement to severance pay.

COMPUTATION OF SEVERANCE PAY

Severance pay is computed based on creditable **civilian** service. No credit is allowed for military service unless it interrupts otherwise creditable civilian service.

Severance pay is computed on the basis of two elements:

- A Basic Severance Allowance (BSA) **PLUS**
- An age adjustment allowance for people over the age of 40

Basic Severance Allowance

Severance pay is figured based on the employee's rate of basic pay (figured at the rate received immediately before separation). Basic pay includes the rate of pay fixed by law or administrative action including, as applicable, annual premium pay for standby duty, availability pay, night differential for prevailing rate employees, and any interim geographic adjustment or special pay adjustment for law enforcement officers, or locality-based comparability payment.

For each of the first 10 years of creditable service, severance pay is computed using **one** week of basic pay.

For example, an employee has a basic weekly rate of \$300 and has worked 5 years.

$$\$300 \times 5 = \$1,500 \text{ BSA}$$

For each year above 10, the employee receives **two** weeks of basic pay. In other words, multiply the weekly salary by two and then multiply that figure by the number of years above 10 years.

In computing years of creditable service, credit for part of a year is given at 25% for each 3 months that exceeds 1 or more full years.

Example 1

Harriet has worked for 11 years and 2 months. Her basic weekly salary is \$200.00.

$$\$200 \times 10 = \$2,000 \text{ (\$200 per year for 10 years)}$$

$$\$200 \times 2 \times 1 = \underline{\$400} \text{ (\$200 times 2 [two week's salary] per year above 10)}$$

$$= \$2,400 \text{ Basic Severance Allowance (BSA)}$$

Example 2

John has worked 15 years and 6 months. His basic weekly salary is \$400.00.

$$\$400 \times 10 = \$4,000 \text{ (\$400 per year for 10 years)}$$

$$\$400 \times 2 \times 5.5 = \underline{\$4,400} \text{ (Two week's salary for 5-1/2 years)}$$

$$= \$8,400 \text{ BSA}$$

Age Adjustment Allowance

The second element of severance pay, the age adjustment allowance, is **ten percent** of the total BSA **for each year** over 40 years of age at the time of involuntary separation.

- To determine the age adjustment allowance, first compute 10% of the BSA, then
- Multiply that figure by the number of years over the age of 40. Credit for part of a year is given at 25% for each 3 months of age above 40.

Example 1

Harriet, whose BSA was computed at \$2,400, is 41 years and 3 months old at the time of separation.

$$\$2,400 \times 10\% = \$240 \text{ (10\% of the BSA)}$$

$\$240 \times 1.25 = \$ 600$ (10% of BSA times 1-1/4 years)

Therefore: \$2,400 Basic Severance Allowance

\$ 600 Age Adjustment Allowance

\$3,000 Severance Pay Fund

Example 2

John, whose BSA was computed at \$8,400, is 49 years and 2 months old at the time of separation.

$\$8,400 \times 10\% = \$ 840$ (10 % of the BSA)

$\$840 \times 9 = \$7,560$ (10% of BSA times 9 years)

Therefore: \$8,400 Basic Severance Allowance

\$7,560 Age Adjustment Allowance

\$15,960 Severance Pay Fund

PLEASE NOTE: For seasonal employees an additional step is taken before applying the above formulas.

- The number of hours worked during the 26 pay periods preceding the separation effective date are averaged.
- The average number of hours worked are multiplied by the hourly rate in effect at time of separation to determine one week's salary.

Suspension of Payments

An employee may accept a temporary appointment while receiving severance pay without losing entitlement, but the severance pay is suspended during the periods of his/her temporary appointment(s). The periods of service covered by the temporary appointment is not creditable for purposes of computing the severance pay it interrupts, unless the temporary appointment is made without a break in service of three days or less from a permanent appointment.

Employment in the private sector has no effect on severance pay entitlement.

Limitation on Amount of Severance Pay

Total severance pay is limited to one year's pay at the rate of pay received immediately before separation. This is a lifetime limitation. Therefore, if an employee is entitled to receive severance pay a second time, it can not continue after the sum of the two severance pay periods reaches 52 weeks.

Payment of Severance

Employees entitled to severance pay will be paid:

- the same basic pay less taxes, Medicare, and FICA, if applicable
- at the same pay intervals

as that received prior to separation until:

- the employee has received 1 year of severance pay,
- the severance pay fund is exhausted, or
- until reemployed by the Federal government.

REEMPLOYMENT PROGRAMS

REEMPLOYMENT PRIORITY LIST

OPM requires an agency to establish the RPL (Reemployment Priority List) in order to provide placement opportunities for employees separated by RIF in the same commuting area from which they were separated.

Requirements

The agency must maintain an RPL for each commuting area in which it separates Tenure Group I or II employees from competitive service positions. If an agency has employees enrolled in the RPL for a commuting area, it must give those employees consideration over outside candidates for any permanent or temporary vacancies for which RPL candidates are qualified and available.

Eligibility

A Tenure Group I or II competitive service employee separated by RIF is eligible to be placed on the RPL if the employee has not declined a RIF offer of a permanent position with a representative rate and tenure no lower than that of the position from which separated. Only employees who are actually separated by RIF are eligible for the RPL, so that an employee who receives a notice of RIF separation and resigns prior to the effective date of the RIF is not included on the RPL. An employee who retires (except for disability retirement) after separation by RIF is eligible for the RPL.

Duration

A Group I employee remains on the RPL for 2 years, a Group II employee remains on the RPL for 1 year. The duration period starts on the date of RIF separation. An employee's name is removed from the RPL when he/she:

- Was full time, and accepts any full-time, non-temporary position;
- Was part-time, and accepts any part-time, non-temporary position;
- Was full-time, and declines any full-time, non-temporary position with a representative rate no lower than the position from which separated;
- Was part-time, and declines any part-time, non-temporary position with a representative rate no lower than the position from which separated;
- Fails to respond to a job offer or an inquiry of availability;
- Requests removal from the RPL.

Positions

An employee on the RPL is eligible for any position for which qualified, at or below the grade from which separated. If an employee declines a position with a representative rate lower than the one from which separated, then his/her name is removed from the RPL for all positions at or below the grade he/she declined. An employee's name is not removed when the employee declines an excepted appointment, temporary appointment, part-time position (if full-time when separated), or a full-time position (if part-time when separated).

CAREER TRANSITION ASSISTANCE PROGRAM (CTAP) AND INTERAGENCY CAREER TRANSITION ASSISTANCE PROGRAM (ICTAP)

On September 12, 1995, a Presidential memorandum titled "Career Transition Assistance for Federal Employees" directed Federal agencies to establish career transition assistance programs to assist their surplus and displaced employees in finding other employment.

CTAP Provisions

The CTAP allows an employee who has been designated as surplus by his or her agency access to career transition programs, including placement priority for agency vacancies in the local commuting area.

Employee Eligibility

An eligible employee is one who:

1. Is a surplus or displaced employee who is still on the agency rolls.
2. Has a current performance rating of at least fully successful.
3. Applies for a vacancy at or below the grade level from which the employee may be separated that does not have greater promotion potential than the employee's position.
4. Occupies a position in the same local commuting area as the vacancy.
5. Files an application within the time frames specified by the agency
6. Is determined by the agency to be well qualified for the vacancy.

ICTAP Provisions

The ICTAP allows a displaced employee to receive priority consideration for a position for which he/she is considered "well qualified" in any Federal agency within the commuting area that he/she was or will be separated.

Employee Eligibility

An eligible employee is one who:

1. Is a displaced employee (he/she has received a specific RIF notice of separation or has been separated within the past year)
2. Has a current performance rating of at least Fully Successful
3. Applies for a vacancy at or below grade level from which separated (or has an equal promotion potential)
4. Occupied a position in the same commuting area as the vacancy
5. Is determined by the agency to be well qualified for the vacancy

THRIFT SAVINGS PLAN

TSP Vesting Requirements

Vesting means that an employee has met the service requirements that entitle his/her to the Agency Automatic (1%) Contributions and their earnings when he/she leaves Federal service. Service requirements do not apply to any other type of contributions. Therefore,

- Federal Employees' Retirement System (FERS) and Civil Service Retirement System (CSRS) participants are always vested in their own contributions and the earnings on their contributions.

- FERS participants are always vested in the matching contributions their agencies make as well as the earnings on the matching contributions.
- Most FERS employees become vested in their Agency Automatic (1%) Contributions after completing 3 years of Federal civilian service. All Federal civilian service counts toward vesting in their TSP account – not just the service while they are a TSP participant. If FERS employees leave Government service before satisfying the vesting requirement for the Agency Automatic (1%) Contributions, these contributions and the earnings on them will be forfeited to the TSP.

Withdrawing Money

When an employee has been separated from Federal service for more than 31 days, he/she is eligible to withdraw his/her TSP account.

If the account balance is \$3,500 or less, the Thrift Board will notify the employee and the employee's account balance will be paid to the employee automatically in a single payment, unless another withdrawal option for which the employee is eligible is chosen.

Because of separation from Federal service, the employee may:

- Leave the account balance in the TSP
- Transfer the account balance entirely to an Individual Retirement Account (IRA) or other eligible retirement plan
- Purchase a life annuity immediately or at a later date if the account balance is at least \$3,500
- Receive a single payment immediately or at a later date
- Receive a single payment and ask the Thrift Board to transfer a portion of it to an IRA or other retirement plan
- Receive a series of equal monthly payments beginning immediately or at a later date
- Receive a series of equal monthly payments and ask the Thrift Board to transfer each payment (or a portion of it) to an IRA or other eligible retirement plan if the series of payments is expected to last less than 10 years and is not based on the employee's life expectancy.

Early Withdrawal from TSP

Things to remember about early withdrawal from a TSP account:

- Any funds received from TSP will be taxable, **AND**
- A 10 percent penalty may be charged if an employee:
 - leaves Government service before the year in which he/she turns age 55, and

- withdraws funds before age 59-1/2.

Options are outlined in detail in the booklet *Withdrawing Your TSP Account*.

TSP Loan Repayment

The terms of your loan include a requirement that you replay the loan in full, including interest, when you leave Government service. After you leave the Government, you will be sent a notice with instructions to repay your loan. If the TSP Office does not receive your repayment in full within 90 days of the date on the notice to repay, a taxable distribution of the unpaid loan principal (and any unpaid interest up to the time of the distribution) will be declared. NOTE: An outstanding loan may delay processing of the withdrawal of your account.

RETIREMENT

CIVIL SERVICE RETIREMENT SYSTEM (CSRS)

How CSRS Annuities are Computed

The retirement annuity is based on length of service and "high-3" average pay. Although unused sick leave is included in an immediate annuity computation, it cannot be used to make an employee eligible for an annuity.

Adding Up Service

To determine eligibility to retire, add together the years, months, and days of periods of civilian and military service. (If there is any intermittent, or "WAE" service, the employee gets credit only for days worked.) Once an employee has enough service to retire, he/she can add unused sick leave to the service. The "high-3" average pay is the highest average basic pay earned during any 3 consecutive years of service. The basic annuity cannot be more than 80% of the "high-3" average pay, unless the amount over 80% is due to crediting unused sick leave.

The Basic Formula

An employee's yearly basic annuity is computed by adding

- 1- 1/2% of "high-3" average pay times service up to 5 years;
- 1-3/4% of "high-3" pay times years of service over 5 and up to 10;
and
- 2% of "high-3" pay times years of service over 10.

However, the employee's annuity may be reduced for any of several reasons such as retiring early or electing a survivor benefit.

A Quick Estimate

A quick way to estimate an annuity is to determine the total length of service and subtract 2. Multiply that result by 2 ($34 - 2 \times 2 = 64$ in the example below), and use that as a percentage of 90% of the final salary.

If, for example, an employee has 34 years of service and his/her final salary was \$50,000 per year, the annuity would be approximately \$2,400 per month. (34 years of service minus 2 = 32 multiplied by 2 = 64. Ninety percent of \$50,000 is \$45,000. Sixty four percent of \$45,000 equals \$28,800, or \$2,400 per month. This quick formula is not precise, but it allows an estimate of benefits. For CSRS-Offset employees, the offset may have to be applied.

Optional Retirement

To be eligible for an annuity, a retiring employee must:

- Have completed at least 5 years of civilian government service.
- Have been employed under the Civil Service Retirement System for at least one year within the two-year period immediately preceding separation. (NOTE: Does not apply to disability retirement.)

An employee may retire on immediate annuity if he/she meets the following requirements:

AGE	YEARS OF SERVICE
62	5
60	20
55	30

Discontinued Service Retirement (DSR)

If involuntarily separated (not for cause) under RIF, an employee may retire on an immediate annuity (reduced by one-sixth of one percent for each full month - 2% per year if under age 55) if she/he meets the following requirements:

AGE	YEARS OF SERVICE
50	20
Any	25

An employee involuntarily separated will not be eligible for DSR if he/she declines a reasonable offer of another position in the AGENCY that is in writing and for which he/she is qualified. For a reasonable offer, the position must be:

- not lower than two grades or pay levels below his/her current position
- of the same tenure
- in the employee's same commuting area unless the employee signed a mobility agreement

Early Out Retirement

Upon approval of the option by OPM, any employee who meets the following requirements may retire on an immediate annuity:

AGE	YEARS OF SERVICE
50	20
Any	25

The employee must have 5 years of civilian service and separate from a position covered by retirement deductions. The employee must have been on agency rolls at least 30 calendar days before the request by the agency to OPM for this option. When granted, this option is available to any employee regardless of whether separation is pending, and is a voluntary retirement.

Disability Retirement

Under the CSRS, if an employee has become disabled, he/she may be entitled to a disability annuity if meeting the following requirements:

- The employee must have completed at least 5 years of civilian service.

- While employed in a position covered under the CSRS, the employee must have become disabled for "useful and efficient service" in both his/her current position and any other vacant position at the same grade or pay level for which he/she is qualified.
- The disability must be expected to last at least 1 year.
- The Service must determine that the employee is not qualified for reassignment to any other vacant position within the AGENCY and the employee's commuting area at the same grade or pay level of the position currently occupied.

For a CSRS Offset or FERS person, he/she must also file for Social Security disability benefits. If qualified for the Social Security benefit, the law requires that OPM reduce the CSRS Offset or FERS benefit.

The employee or someone acting for him/her normally must file an application for disability retirement with OPM either before the employee leaves Federal service or within 1 year after leaving.

Deferred Retirement

An employee who is separated from service for any reason and who meets minimum

requirements for retirement but are not eligible for an immediate annuity is entitled to a deferred annuity to begin at age 62. He/she must have completed at least 5 years of creditable civilian service and must have been covered by CSRS for at least 1 year within the 2-year period immediately preceding separation.

The "high-3" average pay is not adjusted for inflation after the employee leaves Federal service. This means that the value of the deferred annuity may be somewhat eroded depending on the amount of time the employee has to wait for the deferred annuity to begin. If the employee is near age 62 when separated, the average pay will be similar to the pay used for immediate annuity computations. However, if there is a long delay before the deferred annuity begins the older rates of pay may provide only a small benefit in current dollars. In addition, the employee will not be eligible to participate in the Federal Employee Health Benefits Program or to acquire Federal Employee Group Life Insurance coverage.

Refunds and Other Issues

To get a refund of retirement contributions, the employee must be separated from Federal service for at least 31 days. He/She can apply for a refund any time up until 31 days before his/her 62nd birthday, provided the employee doesn't return to Federal service in a position providing retirement coverage. When taking a refund, the employee loses all rights to future annuity benefits. OPM pays all the deductions from the employee's salary and any additional payments made, such as a deposit for military service. The employee will not receive any money paid by the Service or get paid interest.

CSRS employees do not have Social Security coverage. If an employee takes a refund from the CSRS, he/she has forfeited any future retirement benefit based on these years. Even if the employee plans to invest the money, he/she should consider whether investment opportunities can equal the guaranteed lifetime annuity, survivor benefits, and inflation protection of COLA's after the annuity begins.

On the other hand, however, if receipt of a CSRS annuity will cause Social Security benefits to be subject to the Windfall Elimination Provision or Government Pension Offset, the employee should get benefit estimates to help in the decision of whether to leave deductions on account for a deferred annuity at age 62 or to take a refund now.

The employee regains his/her right to benefits if he/she returns to the government in a job with retirement coverage. The refunded service will count toward eligibility to retire, but it will not count to compute an annuity unless the money is repaid, with interest. The interest rate changes each year.

FEDERAL EMPLOYEES RETIREMENT SYSTEM (FERS)

Federal employees who were first hired before January 1, 1984 are generally covered by the Civil Service Retirement System (CSRS) unless they elected to convert to the Federal Employees Retirement System (FERS). Most employees first hired on or after January 1, 1984 were automatically covered by FERS.

How FERS Annuities Are Computed

The annuity benefit is based on the "high 3" average pay. This is figured by averaging the highest basic pay over any 3 consecutive years of creditable service. To determine length of service, add all periods of creditable civilian and military service, then eliminate from the total any fractional part of a month.

Generally, the benefit is calculated according to the following formula:

1% of the high 3 average pay X years (and months counting as a fraction of a year) of creditable service.

If the employee retires at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%.

FERS annuity with a CSRS component

The employee may have a CSRS component if he/she transferred to FERS and had 5 or more years of non-CSRS Offset service at the time of transfer to FERS. If there is a CSRS component in the FERS computation, the CSRS component is computed under the CSRS formula. If the employee is eligible to have part of his/her annuity computed under CSRS rules, he/she will receive credit for the lesser of: 1) the amount of sick leave he/she had when transferring to FERS or, 2) the amount he/she has at retirement. If he/she retires under the DSR or "early out" rules and is under age 55, the CSRS age reduction rules apply to this part of the benefit. (See the previous section on how CSRS annuities are computed.)

Optional Retirement

Basic eligibility criteria for FERS is the same as for CSRS. It is important to note that service under **both** CSRS and FERS is included for eligibility for retirement under FERS.

FERS Immediate Annuity

An employee may retire on immediate annuity if he/she meets the following requirements:

AGE	YEARS OF SERVICE
62	5
60	20
MRA	30 or 10 (reduced benefit)

To receive any nondisability annuity under FERS, the employee's service must include at least 5 years of creditable civilian service and the employee must separate from a position with FERS coverage.

Minimum Retirement Age

The minimum retirement age (MRA) for FERS employees born before 1948 is 55, but gradually increases from 55 to 57 for employees born between 1948 and 1970.

If you were born	The MRA is
Before 1948	55
In 1948	55 & 2 months
In 1949	55 & 4 months
In 1950	55 & 6 months
In 1951	55 & 8 months
In 1952	55 & 10 mo.
In 1953-1964	56
In 1965	56 & 2 months
In 1966	56 & 4 months
In 1967	56 & 6 months
In 1968	56 & 8 months
In 1969	56 & 10 months
In 1970 and after	57

Discontinued Service Retirement (DSR)

An employee is eligible for discontinued service retirement under both CSRS and FERS only if the employee:

- Is reached for an involuntary action (such as job abolishment or reassignment to a position in a different commuting area) and
- Does not receive an offer of another position
 - in the same local commuting area
 - that is within two grades of the employee's present position

AGE	YEARS OF SERVICE
50	20
Any	25

Deferred Retirement

An employee who separates from the Federal service after completing at least 5 years of creditable civilian service, but before becoming eligible for an immediate annuity, is entitled to a deferred annuity at age 62 under both CSRS and FERS. Under certain conditions, a FERS employee may be eligible for a deferred annuity before age 62.

An employee who is eligible for a deferred annuity may, in lieu of the annuity at a later date, receive a refund of his/her retirement deductions, provided that the employee is not eligible to receive an annuity within 31 days after filing a refund application.

Disability Retirement

FERS eligibility rules are the same as CSRS rules except that under FERS, you can qualify for a disability benefit after 18 months of service.

The Office of Personnel Management Booklet RI 90-1, *FERS (An Overview of Your Benefits)*, has information on how FERS disability benefits are computed.

FERS Annuity Supplement

The retiree annuity supplement is a benefit paid until age 62 to certain FERS employees who retire before age 62 and who are entitled to an immediate annuity. The supplement approximates the value of FERS service in a Social Security benefit. The general purpose of the supplement is to provide a level of income before age 62 similar to what the retiree will receive at age 62 as part of a Social Security benefit, if eligible for Social Security at that age.

The supplement, like Social Security benefits, may be reduced if a retiree has excess outside income. Consequently, OPM must reduce the amount paid when outside earnings exceed the maximum permissible amount.

The annuity supplement is paid when a FERS employee retires:

- At or after his/her MRA with 30 years
- At age 60 with 20 years
- Under the provisions of Early Voluntary or Discontinued Service Retirement when he/she reaches his/her MRA

Refund Eligibility

Under FERS, there are some significant differences in the rules concerning refunds. The most important is that if you receive a refund and later return to a Federal job, you cannot repay refunded FERS contributions, and credit for the refunded service is lost for retirement. It cannot even be used toward eligibility to retire.

To get a refund, the employee must be separated from Federal service for at least 31 days. He/She can apply for a refund any time up until 31 days before his/her 62nd birthday, provided he/she doesn't return to Federal service in a position that provides retirement coverage. The employee may not be eligible for a refund if a court order awards benefits to a former spouse.

If the employee takes a refund, OPM pays all the deductions taken from the employee's salary, and any additional payments made to the fund -- for example, a deposit for military service. The employee does not receive any money paid by the agency, or get paid interest.

UNEMPLOYMENT COMPENSATION

Unemployment insurance programs provide a weekly income for a limited period of time to separated Federal civilian workers who are eligible for benefits. The

Department of Labor, through agreements with State governments, administers the unemployment insurance program for Federal employees.

The States and the District of Columbia determine eligibility for benefits as well as the amounts paid to separated employees based on location of employment.

How to File

An employee who wishes to file for benefits should contact the appropriate State employment service office or unemployment insurance claims office to register for work and file a claim.

The employee should take:

- His/her Social Security card,
- Official notice of separation or nonpay status (SF-50),
- Specific RIF notice letter, and
- Notice about unemployment insurance (SF-8), provided at the time of separation

In most states, unemployment compensation is not payable while the former employee is receiving severance pay. However, he/she may need to file an application for unemployment benefits to meet filing deadlines.

Additional information concerning unemployment insurance is available from the local office of the state employment service.

UNUSED LEAVE

ANNUAL LEAVE

Except for certain statutory limitations, all employees covered by authorized leave systems are entitled, after separation or retirement from the Federal service, to receive a lump-sum payment for accrued annual leave. This will be paid by the AGENCY soon after the former employee receives his/her last paycheck.

If reemployed in the Federal service during the time covered by the leave, however, that portion will have to be repaid. For example, if the employee had 5 weeks worth of leave paid and gets a new job after 3 weeks, he/she must repay the value of 2 weeks of leave.

SICK LEAVE

An employee who is separated will not receive payment for unused sick leave. However, if the former employee is later reemployed in the Federal service, he/she is entitled to have the sick leave recredited.

CSRS Unused sick leave is added to the total service of an employee who is eligible for annuity benefits under the Civil Service Retirement System.

FERS For FERS employees who changed from CSRS, unused sick leave may be applied to the CSRS retirement component. Employees who have always been under FERS cannot apply unused sick leave to total service for retirement.

HEALTH AND LIFE INSURANCE

HEALTH INSURANCE

If...	And...	Then...
An employee retires on an immediate annuity	Has been continuously enrolled or covered as a family member for the 5 years* immediately before retirement or, if fewer than 5 years, all service since the first opportunity to enroll	<p>He/she may continue his/her enrollment in the Federal Health Benefits Program.</p> <p>The government continues to pay the same contribution that is paid for active employees.</p>
An employee is separated or leaves the Federal government	Is not eligible for an immediate annuity	<p>The employee can continue coverage free for 31 days.</p> <p>For a period of 60 days after the separation date, the employee can elect to continue coverage; however:</p> <ul style="list-style-type: none"> • the employee must pay 102% of the cost (both employee and Government shares of the premium plus a 2% administrative charge)

		<p>and</p> <ul style="list-style-type: none"> the extension lasts only 18 months <p>Dependents of the separated employee may carry this coverage for up to 36 months.</p> <p>The separated employee can convert to a private plan.</p>
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*The 5-year participation requirement may be waived under certain conditions in downsizing situations.

LIFE INSURANCE

If...	And...	Then...
An employee retires on an immediate annuity	<p>Has been insured for the basic coverage</p> <ul style="list-style-type: none"> - during the entire period the coverage was available or - for the last 5 years of service immediately preceding the starting date of annuity payments 	<p>The employee is eligible to continue basic life insurance under the Federal Employees Group Life Insurance Program.</p> <p>The government continues to pay the same contribution that is paid for active employees.</p>
An employee is separated or leaves the Federal government	Is not eligible for an immediate annuity	<p>The employee can continue coverage free for 31 days.</p> <p>He/she may convert all or part of his/her life insurance to an individual policy without a medical examination.</p> <p>The individual policy may be purchased from any eligible insurance company selected by the employee as a private</p>

		<p>transaction between the employee and the company.</p> <p>The former employee pays the entire premium of the conversion policy and the conversion must be made within 31 days after the effective date of the separation.</p>
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