

CHAPTER 14

EMPLOYEE BENEFITS

NOTE: This chapter should be read in conjunction with local activity instructions and with any negotiated agreements between your activity and an exclusively recognized labor organization. Contract language will take precedence over conflicting provisions in this manual. Areas of uncertainty should be discussed with the Human Resources Office.

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EMPLOYEE INSURANCE AND RETIREMENT BENEFITS

1. PURPOSE

General benefits for federal employees are briefly discussed here. Employees should contact HRSC-NW for more information. Further information on retirement and benefits may be obtained on line at www.opm.gov.

2. RETIREMENT

a. Types of Plans

- 1) The Federal Employees' Retirement System (FERS)
- 2) The Civil Service Retirement System (CSRS).

b. Federal Employees' Retirement System (FERS)

- 1) Generally, employees first hired by the federal government on or after 1 January 1984 are covered under the FERS.
- 2) Three-tiered plan consisting of a basic benefit plan, Social Security, and an investment plan known as the Thrift Savings Plan. The employee makes contributions each pay period to the basic benefit and Social Security parts of this system. Each employee covered under the FERS will have a Thrift Savings Plan account established with an amount equal to one percent of the employee's basic salary automatically deposited into this account. Employees may contribute their own money into the account and be eligible for additional contributions. Originally, the maximum amount employees could contribute was ten percent of their salary.
- 3) **Employee Limit Increase**
Beginning in July 2001, the employee limits for FERS increased by 1% each year for five years until 2006 when the contribution limits will be lifted entirely.
- 4) **Basic Benefit Plan Eligibility Requirements**
 - a) To receive retirement benefits, the employee must have at least five years of creditable civilian service.
 - b) Survivor and disability benefits are available after 18 months service.
 - c) Unused sick leave is not converted into creditable service for any purpose under the FERS.
 - d) Credit is not allowed for civilian service after 1988 when no contributions were withheld (e.g. temporary service). Deposits can be made to receive credit for military service and for temporary time prior to 1 January 1989.
 - e) The amount the employee receives in an annuity depends on two things: the employee's salary and length of service. The annuity formula used to determine retirement benefits is computed based on the employee's three highest consecutive years of pay ("high-three" average salary) and the number of years and months of federal service.



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5) Minimum eligibility requirements (see table below)

FERS RETIREMENT ELIGIBILITY REQUIREMENTS				
TYPE OF RETIREMENT	YEAR OF BIRTH	MINIMUM AGE	MINIMUM SERVICE UNREDUCED BENEFITS	*MINIMUM SERVICE REDUCED BENEFIT
OPTIONAL & DEFERRED	N/A	62	5	N/A
	N/A	60	20	N/A
	Before 1948	55	30	10
	1948	55 & 2 mo	30	10
	1949	55 & 4 MO	30	10
	1950	55 & 6 MO	30	10
	1951	55 & 8 MO	30	10
	1952	55 & 10 MO	30	10
	1953-1964	56	30	10
	1965	56 & 2 MO	30	10
	1966	56 & 4 MO	30	10
	1967	56 & 6 MO	30	10
	1968	56 & 8 MO	30	10
	1969	56 & 10 MO	30	10
1970 and after	57	30	10	
DISCONTINUED SERVICE	N/A	50	20	N/A
	N/A	ANY	25	N/A
DISABILITY RETIREMENT	N/A	ANY	18 MONTHS	N/A

* Reduction is 5% for each year the employee is under age 62

6) Social Security

Benefit payments are provided to employees and their dependents that qualify as beneficiaries under the Old Age Survivors and Disability Insurance (OASDI) programs of the Social Security Act. Employees may be eligible for a special retirement supplement, which approximates the Social Security benefit paid between retirement from federal service and eligibility for Social Security at age 62.

7) The Thrift Savings Plan (TSP)

a) A tax-deferred savings plan available to Federal employees. The TSP is comparable to similar plans offered by many private employers. The size of the benefit at retirement depends on how much the employee and the government contribute to the account as well as earnings on those contributions, and the method chosen to withdraw the account balance.

b) Employees investment funds

- “G” fund (short term, non-marketable U.S. Treasury bonds)
- “C” fund (a stock index fund)
- “F” fund (a bond index fund)

- "S" fund (small capitalization stock index investment fund)
- "I" fund (international stock index investment fund)

Public Law 108-469, which was signed into law on December 21, 2004, eliminates the Thrift Savings Plan open seasons and the restrictions on contribution elections which are tied to open seasons. The Federal Retirement Thrift Board will implement this law on July 1, 2005. Beginning July 1, 2005, contribution elections will be processed under the new rules – that is, the elections must be made effective no later than the first full pay period after they are filed.

Participants must continue to file contribution elections through EBIS and the agencies must continue to implement the elections by deducting contributions from participants' pay and reporting these amounts to the Thrift Savings Plan each pay period.

The law does not affect the waiting period new employees covered by the Federal Employees' Retirement System must serve before they become eligible for agency contributions to their accounts. In addition, the law does not affect contribution allocations or interfund transfers, which can be made at any time by using the TSP Web site or the Thriftline or by submitting an Investment Allocation form to the TSP Service Office.

c) To receive the maximum Agency Matching Contribution, you must contribute at least five percent of the basic pay you earn **each pay period** during the year. (The first five percent of your basic pay each pay period is matched — dollar-for-dollar on the first three percent and 50 cents on the dollar for the next two percent.)

8) **Applying for Retirement**

Employees should access the HRSC-NW Benefits Information Line to obtain the applicable application forms. The website is <https://www.civilianbenefits.hroc.navy.mil>, 24 hrs a day, 7 days a week. Once in the website, click on the Employee Benefits Information System (EBIS) and then explore "I Want To Retire". If you do not have access to a computer, your request for forms can be made to the Benefits Line (Call Center) at 1-888-320-2917. Employees shall complete the application form(s) and submit a Request for Personnel Action (RPA) to initiate the retirement action.

c. **Civil Service Retirement System (CSRS) Basic Eligibility Requirements**

- 1) Generally, employees first hired by the government before 1 January 1984 are covered by the CSRS unless the employee elected to transfer to the Federal Employees' Retirement System during the open season offered in 1987, 1988 or 1998.
- 2) The CSRS is a single tier, defined benefit plan. In general, these employees do not contribute to Social Security. Originally, employees could contribute up to five percent of their base pay to the Thrift Savings Plan.
- 3) To be eligible for retirement benefits, an employee must have at least five years civilian service. In addition, except for disability retirement, the employee must have been covered under the CSRS System for at least one year out of the two-year period immediately proceeding retirement.

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- 4) Unused sick leave is added to the employee's length of service for annuity computation purposes provided the employee separates on an immediate annuity.
- 5) As with the FERS, the amount an employee receives for an annuity is based on the average of the employee's highest three years of salary and the employee's length of federal service.
- 6) **Minimum age and service requirements (see table provided below)**

CSRS RETIREMENT ELIGIBILITY REQUIREMENTS			
TYPE OF RETIREMENT	MINIMUM AGE	MINIMUM SERVICE	SPECIAL REQUIREMENTS
OPTIONAL	62	5	NONE
	60	20	NONE
	55	30	NONE
OPTIONAL —Law Enforcement & Fire Fighters	50	20	Employee must retire under the special provisions for law enforcement officers and fire fighters.
OPTIONAL —Air Traffic Controllers	ANY AGE	25	Employee must be an Air Traffic Controller
	50	20	
OPTIONAL — Reorganization; Function Transfer; Reduction-in-Force	* ANY AGE	25	Agency must be undergoing a major reorganization, transfer of function or reduction-in-force as determined by the Office of Personnel Management.
	* 50	20	
DISCONTINUED SERVICE	ANY AGE	25	Employee separation must be involuntary and not for misconduct or delinquency.
	50	20	
DISABILITY	ANY AGE	5	Employee must be totally disabled for service in the position they occupy.

* Annuity is reduced if under age 55.

7) **The Thrift Savings Plan (TSP)**

- a) The CSRS employees may also participate in the tax-deferred savings plan available to FERS employees. As with employees covered under FERS, CSRS employees may contribute a portion of their base salary to an established fund account; however, they are not eligible to receive government matching contributions. They may also apply for loans on their account balances.
- b) **Elimination of the TSP Open Seasons: July 1, 2005**
Public Law 108-469, which was signed into law on December 21, 2004, eliminates the Thrift Savings Plan open seasons and the restrictions on contribution elections which are tied to open seasons. The Federal Retirement Thrift Board will implement this law on July 1, 2005. Beginning July 1, 2005, contribution elections will be processed under the new rules – that is, the elections must be made effective no later than the first full pay period after they are filed.

Participants must continue to file contribution elections through EBIS and the agencies must continue to implement the elections by deducting contributions from

participants' pay and reporting these amounts to the Thrift Savings Plan each pay period.

The law does not affect the waiting period new employees covered by the Federal Employees' Retirement System must serve before they become eligible for agency contributions to their accounts. In addition, the law does not affect contribution allocations or interfund transfers, which can be made at any time by using the TSP Web site or the Thriftline or by submitting an Investment Allocation form to the TSP Service Office.

8) **Applying for Retirement**

Employees should access the HRSC-NW Benefits Information Line to obtain the applicable application forms. The website is <https://www.civilianbenefits.hroc.navy.mil/>, 24 hrs a day, 7 days a week. Once in the website, click on the Employee Benefits Information System (EBIS) and then explore "I Want To Retire". If you do not have access to a computer, your request for forms can be made to the Benefits Line (Call Center) at 1-888-320-2917. Employees shall complete the application form(s) and submit a Request for Personnel Action (RPA) to initiate the retirement action.

3. **LIFE INSURANCE**

Generally, all permanent civilian employees are eligible for coverage in the Federal Employees' Group Life Insurance program. A basic life insurance plan and three optional insurance plans are available for employees. To enroll or change enrollment, employees complete a SF-2817, Life Insurance Election Form on line at EBIS.

a. **Premium Cost**

Basic Life is shared by the employee and the government. Employees pay the entire cost of the optional insurance premiums.

b. **Basic Life Insurance**

Employees are automatically covered and premiums withheld for the basic life insurance plan beginning on the first day the employee is in a pay and duty status.

1) **Coverage**

- a) The basic life insurance policy provides employees with life insurance coverage and accidental death and dismemberment coverage.
- b) The amount of basic life insurance available to each eligible employee is graduated according to the employee's age. Employees under age 36 are eligible for basic insurance coverage in an amount equal to their annual salary rounded to the next higher thousand dollars plus \$2,000 multiplied by two. Beginning at age 36, the multiplication factor for the amount of basic insurance declines by 0.1 each year, until it reaches 1.0 at age 45.
- c) Accidental death benefits are equal to the amount of basic insurance without any increase by the multiplication factor. Accidental death and dismemberment coverage stops at retirement.

c. **Optional Insurance**

- 1) An employee must be enrolled in the basic life insurance policy to elect any optional insurance.

2) Options Available

a) **Standard Optional Life Insurance**

- An additional \$10,000 of coverage.
- This optional insurance carries with it an equal amount of accidental death and dismemberment protection for covered employees.

b) **Additional Optional Life Insurance**

- An amount equal to one, two, three, four, or five times an employee's annual basic pay rounded up to the next \$1,000.
- Accidental death and dismemberment coverage is not included in this coverage.

c) **Family Life Insurance**

- Each multiple coverage is equal to \$5,000 for a spouse and \$2,500 for each eligible dependent child.
- May be elected in one, two, three, four, or five multiples of coverage.
- Accidental death and dismemberment coverage is not included in this coverage.

4. DESIGNATION OF BENEFICIARY

a. Retirement (including TSP contributions), life insurance and unpaid compensation benefits are payable in the event of an employee's death in the order specified below:

- 1) To the widow or widower.
- 2) If neither of the above, to the child or children in equal shares, with the share of any deceased child distributed among the descendants of that child.
- 3) If none of the above, to the parents in equal shares or the entire amount to the surviving parent.
- 4) Next of kin.
- 5) The executor/administrator of the estate.

b. With regard to retirement benefits for survivors, OPM will honor any divorce court orders issued after May 7, 1985, which provide benefits to a former spouse.

c. Employees must complete designation of beneficiary forms if the employee desires benefits to be paid in a different order than stated above. Beneficiaries specified in an employee's personnel record take precedence over those specified in a last will and testament. Beneficiary forms may be obtained from the EBIS website or your local HRO Office.

5. HEALTH INSURANCE

- a. The Federal Employees Health Benefits Program (FEHBP) is a voluntary program open to permanent full-time and part-time civilian employees. Temporary employees may enroll provided they have completed at least a year of continuous service. Those employees who are employed on temporary Not To Exceed (NTE) 1 year or intermittent basis are not eligible for health benefits.
- b. There are many health plans available to employees under this program. Generally, an eligible employee may enroll in the health benefits program when first hired into Federal service or during the annual health benefits open season. Employees may enroll in the FEHBP by completed a SF-2809, Health Benefits Registration form, on line at EBIS, or by calling 1-888-320-2917.

6. FSA FEDS

- a. FSAFEDS is a Flexible Spending Account (FSA) program for Federal employees that will save you money on health and dependent care expenses by allowing you to set aside pre-tax salary to pay for a wide range of common out-of-pocket expenses. By paying with pre-tax dollars, you reduce your taxes, resulting in a 20% to more that 40% saving on the items and care that you need.
- b. Use your FSAFEDS account(s) to pay for a wide range of expenses, including:
 - 1) Co-Payments
 - 2) Over-The-Counter Medications
 - 3) Child and Elder Care
 - 4) Summer Day Camp

7. Federal Long term care Insurance Program

Long term care is ongoing care for people who need lengthy or even lifelong assistance with daily living due to an illness, injury, or severe cognitive impairment (such as Alzheimer's disease). These expenses are not covered by traditional medical insurance plans or disability income insurance. For more information, call 1-800-582-3337.