COST OF INSURANCE

COST OF BASIC INSURANCE

WITHHOLDINGS FOR BASIC INSURANCE

- Amount of Withholding
- Other Than Biweekly Pay Periods

GOVERNMENT CONTRIBUTION FOR BASIC INSURANCE

COST OF OPTIONAL INSURANCE

- Age Brackets

WITHHOLDINGS FOR OPTION A

- Amount of Withholding
- Other Than Biweekly Pay Periods

WITHHOLDINGS FOR OPTION B

- Amount of Withholding
- Other Than Biweekly Pay Periods

WITHHOLDINGS FOR OPTION C

- Amount of Withholding
- Premium Changes Beginning April 24, 2000
- Other Than Biweekly Pay Periods

MISCELLANEOUS WITHHOLDING AND CONTRIBUTION PROVISIONS

- Annual Pay for Other Than 52 Workweeks
- Concurrent Employment
- Basis for Withholdings and Contributions
- Separation for Retirement or Compensation
- Nonpay Status
- Erroneous Firings and Suspensions
- Insufficient Pay - Occasional
- Insufficient Pay - Ongoing
- Insufficient Annuity or Compensation
- When You Transfer to a Different Payroll Office (Daily Proration Rule)
- Daily Rate
    - Basic Insurance
    - Optional Insurance
- Retiring Employees
    - Under Age 65 on the Starting Date of Annuity
    - Age 65 or Over on the Starting Date of Annuity
- Four-Day Rule
- Terminal Leave
- Living Benefits

DIRECT PREMIUM PAYMENTS

- If You Choose to Terminate Your Insurance
- If You Choose to Terminate Some, but Not All, of Your Insurance
- If You Choose to Continue Your Insurance
- Sample Notice
- What are the Effects of a Cancellation?
- What Happens When My Pay Becomes Large Enough for Premium Withholdings?
    - If You Chose Termination
    - If You Chose Direct Pay

REMITTANCE TO OPM

- When to Remit
- How to Remit

ADJUSTING ERRORS

- Errors in Withholdings and Contributions
- Errors Involving Current Employees - Overdeductions
- Errors Involving Current Employees - Underdeductions
- Errors Involving Separated Employees

COST OF BASIC INSURANCE

The cost of Basic insurance is shared between you and the Government. You pay two-thirds of the cost, and the Government pays one-third.

Your age does not affect the cost of Basic insurance.

WITHHOLDINGS FOR BASIC INSURANCE

Amount of Withholding

Effective January 2003, your share of the cost of Basic insurance is $.15 biweekly for each $1,000 of your Basic Insurance Amount.

This amount must be withheld from your pay for each pay period during which you are in pay status for any part of the pay period. If your Basic coverage becomes effective at any time other than the beginning of the pay period, full withholdings for the entire pay period are required.

Other Than Biweekly Pay Periods

If you are paid on other than a biweekly basis, the amount withheld from your pay must be prorated and adjusted to the nearest one-tenth of one cent.

GOVERNMENT CONTRIBUTION FOR BASIC INSURANCE

The Government's share of the cost of Basic insurance is an amount equal to one-half of your withholding (or one-third of the total premium).

This amount must be contributed for each pay period during which you are in pay status for any part of the pay period.

The Government contribution comes from the appropriation or fund that is used for the payment of your salary. For an elected official, the contribution must come from the appropriation or fund that is available for payment of other salaries in the same office.

COST OF OPTIONAL INSURANCE

You pay the full cost of all Optional insurance. There is no Government contribution toward the cost of any Optional insurance.

Age Brackets

The cost of Optional insurance depends on your age. Optional insurance premiums are based on 5-year age bands beginning at age 35. The last age band for Option A is 60+. The last age band for Options B and C is 80+. You are considered to reach the next age bracket the pay period following the pay period in which your birthday occurs.

WITHHOLDINGS FOR OPTION A

Amount of Withholding

Effective January 2003, the biweekly cost of Option A coverage is:

For persons under age 35	$0.30
For persons ages 35 through 39	.40
For persons ages 40 through 44	.60
For persons ages 45 through 49	.90
For persons ages 50 through 54	1.40
For persons ages 55 through 59	2.70
For persons ages 60 through 64	6.00
For persons ages 65 through 69	6.00
For persons ages 70 and over	6.00

This amount must be withheld from your pay for each pay period during which you are in pay status for any part of the pay period. If your Option A coverage becomes effective at any time other than the beginning of the pay period, full withholdings for the entire pay period are required.

Other Than Biweekly Pay Periods

If you are paid on other than a biweekly basis, the amount withheld from your pay must be prorated and adjusted to the nearest cent.

WITHHOLDINGS FOR OPTION B
Amount of Withholding
Effective January 2003, the biweekly cost per $1,000 of Option B coverage is:

Age Band	2003	2004*	2005*
For persons ages 35 and under	$0.03	$0.03	$0.03
For persons ages 35 through 39	$0.04	$0.04	$0.04
For persons ages 40 through 44	$0.06	$0.06	$0.06
For persons ages 45 through 49	$0.09	$0.09	$0.09
For persons ages 50 through 54	$0.14	$0.14	$0.14
For persons ages 55 through 59	$0.28	$0.28	$0.28
For persons ages 60 through 64	$0.60	$0.60	$0.60
For persons ages 65 through 69	$0.71	$0.71	$0.72
For persons ages 70 through 74	$0.87	$1.03	$1.20
For persons ages 75 through 79	$1.07	$1.43	$1.80
For persons ages 80 & Over	$1.27	$1.83	$2.40

*Premiums for the new Option B age bands (Ages 65-69), (Ages70-74), (Ages 75-79) and (Ages 80 & Over) are being phased-in over a 3- year period. The above chart has the biweekly premiums for 2003, 2004 and 2005.

This amount must be withheld from your pay for each pay period during which you are in pay status for any part of the pay period. If your Option B coverage becomes effective at any time other than the beginning of the pay period, full withholdings for the entire pay period are required.

Other Than Biweekly Pay Periods
If you are paid on other than a biweekly basis, the amount withheld from your pay must be prorated and adjusted to the nearest one-tenth of one cent.

WITHHOLDINGS FOR OPTION C
Amount of Withholding
Effective January 2003, the biweekly cost per multiple of Option C coverage is:

For persons under age 35	$0.27
For persons ages 35 through 39	.34
For persons ages 40 through 44	.46
For persons ages 45 through 49	.60
For persons ages 50 through 54	.90
For persons ages 55 through 59	1.45
For persons ages 60 through 64	2.60
For persons ages 65 through 69	3.00
For persons ages 70 through 74	3.40
For persons ages 75 through 79	4.50
For persons ages 80 and over	6.00

This amount must be withheld from your pay for each pay period during which you are in pay status for any part of the pay period. If your Option C coverage becomes effective at any time other than the beginning of the pay period, full withholdings for the entire pay period are required.

Other Than Biweekly Pay Periods
If you are paid on other than a biweekly basis, the amount withheld from your pay must be prorated and adjusted to the nearest cent.

MISCELLANEOUS WITHHOLDING AND CONTRIBUTION PROVISIONS

Annual Pay for Other Than 52 Workweeks

If your annual pay is paid during a period shorter than 52 workweeks, the amount withheld from your pay is the amount obtained by converting the biweekly rate to an annual rate and prorating the annual rate over the number of installments of pay regularly paid during the year.

Example
Faith has Basic insurance and is paid biweekly but works only 20 pay periods each year.
1. Convert the biweekly rate to an annual rate ($0.15 x 26 pay periods = an annual rate of $3.90 per $1,000 of coverage).
2. Divide the annual rate by the number of pay periods ($3.90) 20 = $0.195 per $1,000 of coverage per pay period).

This applies to both Basic and Optional insurance. It is used mostly for classes of employees such as teachers, who are paid an annual pay but who usually receive their pay over a 9- or 10-month school year.

It does *not* apply to classes of employees who are paid at hourly, daily, or other rates, even though these rates may be derived from an annual pay rate.

Concurrent Employment

If you are serving in more than one position at the same time (concurrent employment), your employing office that pays the higher (highest) of the salaries must contact your other employing office(s), confirm the salaries paid, and assume responsibility for withholding all of the required premiums from the salary it pays. Withholdings are based on the combined amount of Basic and Optional coverage you have from all positions.

The agency that pays the higher (highest) salary must also pay the full Government contribution, which is based on the combined amount of Basic insurance you have from all positions.

This eliminates the need for the other employing office(s) to make partial withholdings and Government contributions.

If one of your appointments is as a part-time flexible schedule employee in the Postal field service, the amount of Basic and Option B coverage is based on the higher (highest) of your salaries, *not* the total.

Basis for Withholdings and Contributions

Withholdings (and Government contributions, when applicable) are based on the amount of insurance in force on the *last day* of the pay period. The amount of withholdings and contributions for non-Postal intermittent employees must be determined at the end of each pay period.

Separation for Retirement or Compensation
No withholdings or contributions are required between the end of the pay period in which you separate and the beginning date of your annuity or compensation.

Nonpay Status
No payment is required while you are in nonpay status for up to 12 months. This applies to both your share and the Government contribution. *Exception*: If you are in nonpay status while receiving compensation, withholdings are made from your compensation. Your employing office pays the Government contribution until you separate or complete 12 months in nonpay status.

Erroneous Firings and Suspensions
If you are awarded back pay after being fired or suspended erroneously, no withholdings are made for life insurance. *Exception*: If your death or accidental dismemberment occurs during the period between your removal and the finding that the agency action was erroneous, insurance benefits will be paid, and premiums must be withheld from the back pay awarded.

If you are awarded a settlement with no determination that your firing or suspension was erroneous, your employing office will ask OPM to determine whether your insurance will be reinstated and whether withholdings are required.

Insufficient Pay - Occasional
Deductions from pay are made according to the order of precedence set forth in the Treasury Financial Manual. After all other required deductions, if your pay for a particular pay period isn't enough to cover the full withholdings for life insurance, 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).

Insufficient Pay - Ongoing
When your employing office expects that during the next six months or more, your regular pay, after all other deductions, will not be enough to cover the required withholdings for the full cost of your insurance, your employing office must notify you.

You can cancel or reduce other nonmandatory deductions from your pay in order to bring the net pay up to the required amount.

If you have more than one form of Optional insurance, and your pay is not enough to cover all the premiums but is enough for one or more of the coverages, you can reduce coverage to a point where your pay is enough to cover the withholdings.

You may also choose to pay premiums directly.

Insufficient Annuity or Compensation
If your annuity or compensation is insufficient to pay your life insurance premiums, you may pay your premiums directly to OPM to continue your coverage. If you choose to make direct payments, you will continue to do so, even if your annuity or compensation becomes large enough for withholdings.

If you choose to terminate coverage, your coverage will not be reinstated if your annuity or compensation becomes large enough for withholdings.

When You Transfer to a Different Payroll Office (Daily Proration Rule)
Effective March 1, 1997, the Daily Proration Rule applies when you transfer to a position serviced by a different payroll office at a time other than the beginning of the pay period. Each payroll office (gaining and losing) is responsible for withholdings and contributions for the actual time you occupied the position that it services.

Daily Rate
A daily rate must be computed as follows:

Daily withholding and contribution rate	'	Biweekly withholding and contribution rate	x 26	)364

Note: The denominator of 364 is always used, even during a leap year.

Basic Insurance
For Basic insurance, the daily withholding rate is $.0107 and the daily Government contribution rate is $.0054 per $1,000 of coverage. The formula for determining the amount of withholdings and contributions for which losing and gaining agencies are responsible is:

Daily rate x Coverage/$1,000 x Days on payroll

Example
Sam transfers to a different agency on the sixth day into a biweekly pay period. His Basic Insurance Amount is $48,000. The losing agency is responsible for:
Withholdings: $.0107 x $48,000/$1,000 x 5 days = $2.57
Contributions: $.0054 x $48,000/$1,000 x 5 days = $1.30

The gaining agency is responsible for:
Withholdings: $.0107 x $48,000/$1,000 x 9 days =$4.62
Contributions: $.0054 x $48,000/$1,000 x 9 days =$2.33

Optional Insurance
The payroll office must compute a daily rate for Optional insurance coverage, using the same formula as for Basic insurance. (See tables for the biweekly withholding rates for Option A, Option B, and Option C.)

For Option A, the formula for determining the amount of withholdings is:

Daily rate x Days on payroll

The formula for determining the amount of Option B withholdings is the same as for Basic insurance:

Daily rate x Coverage/$1,000 x Days on payroll

For Option C, the formula for determining the amount of withholdings is:

Daily rate x Number of multiples x Days on payroll

Example
Sam also has Option A, one multiple of Option B, and two multiples of Option C. He is 38 years old. The losing agency is responsible for:

Option A: [$.40 x 26) 364] x 5 days = $.14
Option B: [$.04 x 26) 364] x $46,000/$1,000 x 5 days = $.66
Option C: [$.34 x 26) 364] x 2 x 5 days = $.24

The gaining agency is responsible for:
Option A: [$.40 x 26) 364] x 9 days = $.26
Option B: [$.04 x 26) 364] x $46,000/$1,000 x 9 days = $1.18
Option C: [$.34 x 26) 364] x 2 x 9 days = $.44

Retiring Employees
For retiring employees, your employing office's responsibility for withholdings and contributions depends on your age at the time of retirement.

Under age 65 on the starting date of annuity

- If the start of your annuity is *after* the end of the pay period, your employing office will make full withholdings and contributions for the entire pay period.
- If the start of your annuity is *before* the end of the pay period, your employing office will make withholdings and contributions through the day before the start of your annuity, using the Daily Proration Rule.

See the CSRS/FERS Handbook section entitled "Retirement Eligibility" for the rules governing the starting date of CSRS/FERS annuities.

Example
Tyrone is age 60 and his start of annuity is 6/1/99. The pay period begins on 5/25/99 and ends on 6/7/99. He will carry Basic and Option A into retirement. His Basic Insurance Amount is $35,000. His employing office will make withholdings and contributions for the period from 5/25/99 through 5/31/99.

Basic withholdings: $.0107 x $35,000/$1,000 x 7 days = $2.62
Basic contributions: $.0054 x $35,000/$1,000 x 7 days = $1.32
Option A withholding: ($6.00 x 26)364) x 7 days = $3.00

Age 65 or over on the starting date of annuity
Your employing office's responsibility for withholdings and contributions will depend on your post-65 election.

For Basic insurance:
- If you elect 75% Reduction, your employing office will make withholdings and contributions through the end of the pay period in which you separate for retirement.
- If you elect 50% Reduction or No Reduction, your employing office will make withholdings and contributions based on the starting date of your annuity, the same as for retiring employees under age 65.

For Option A insurance, your employing office will make withholdings through the end of the pay period in which you separate for retirement.

For Option B and Option C, if you elect Full Reduction, your employing office will make withholdings through the end of the pay period in which you separate for retirement.

If you elect No Reduction for Option B and Option C, your employing office will make withholdings based on the starting date of your annuity, the same as for retiring employees under age 65.

Example
Bob is age 67 and he has elected to carry into retirement No Reduction of Basic insurance and Full Reduction for 3 multiples of Option B. His Basic Insurance Amount is $23,000, and Option B coverage is $63,000. The pay period begins on 9/28/00 and ends on 10/11/00; his start of annuity is 10/1/00.

His employing office will make withholdings and contributions for the period from 9/28/00 through 9/30/00 for Basic insurance.

Withholdings: $.0107 x $23,000/$1,000 x 3 days = $0.74
Contributions: $.0054 x $23,000/$1,000 x 3 days = $0.37

His employing office will make withholdings through the end of the pay period for Option B coverage.

Withholdings: $.71 x $63,000/$1,000 = $44.73

Four-day Rule
Prior to the March 1, 1997 effective date of the Daily Proration Rule, the "Four-day Rule" applied. Under the Four-day Rule, the gaining payroll office was responsible for full withholdings and contributions for the pay period when the transfer was effective before the fourth day of the pay period. When the transfer was effective during the last three days of the pay period, the losing payroll office made full withholdings and contributions for the entire pay period. If the transfer was effective at any other time, each payroll office was responsible for half of the withholdings and contributions.

Terminal Leave
No withholding is made from a lump-sum payment covering terminal leave.

Living Benefits
See "Effect of a Living Benefits Election" for information on withholdings and contributions following a Living Benefits election.

DIRECT PREMIUM PAYMENTS
Your employing office must give you a written notice as soon as it becomes aware of your insufficient pay situation. The notice will give you information about the choices you can make. If your employing office cannot give you the notice directly, it must send the notice by first class mail.

You must choose either to terminate or continue your FEGLI coverage, and return the completed notice to your employing office within 31 days after your receipt of the notice (45 days if you live overseas). (When your employing office mails your notice, it is considered to be received by you 5 days after the date of the notice.)

If You Choose to Terminate Your Insurance
If you choose to terminate your FEGLI coverage, or if you do not return the notice making a choice within the time limit, your coverage will terminate retroactive to the end of the last pay period in which premiums were withheld from your pay. You will get the 31-day extension of coverage and conversion right.

Your employing office will prepare a memo indicating the reason for the termination and attach it to the most recent Life Insurance Election Form (SF 2817) in your file. Your employing office will give you the information necessary to convert your FEGLI coverage.

This termination is not considered a break in the continuous coverage needed to continue FEGLI into retirement.

Your FEGLI coverage will be automatically reinstated when your pay becomes sufficient to make the withholdings.

If You Choose to Terminate Some, but Not All, of Your Insurance
You may choose to terminate some of your coverage. If you terminate enough coverage so that your pay is sufficient for withholding the rest, your salary withholdings can continue. If you terminate some coverage but your salary is still not enough for the remaining withholdings, you must make direct payments for the premiums for the remaining coverage.

If You Choose to Continue Your Insurance
If you choose to continue your FEGLI coverage, you must agree to pay the premiums directly on a current basis. You cannot have some of the premiums withheld and make direct payment for the rest.

Your employing office will set up a system to collect the premiums.

You must make premium payments after each pay period in which you are covered, according to the schedule set by your employing office. If your employing office doesn't receive your payment by the due date, it will send you a notice stating that for your coverage to continue, you must make payment within 15 days (45 days if you live overseas) after you receive the notice. If you don't make any further payments, your coverage will be cancelled retroactive to the end of the pay period for which you last paid the premium.

If you were unable to make timely premium payments for reasons beyond your control, you may ask your employing office to reinstate your coverage. Your request must be made in writing within 60 days from the cancellation date and must include documentation of the reasons. If your employing office grants your request, your coverage will be restored retroactive to the cancellation date. If your request is denied, you may ask your employing office to reconsider its decision.

Sample Notice

FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI) OPTIONS WHEN PAY IS INSUFFICIENT FOR WITHHOLDING PREMIUMS

Name of Employee:______________________________ Date:

You must respond within 31 days of this notice (45 days for those living overseas) or your FEGLI coverage will automatically terminate.

We have determined that your salary is not large enough for withholding FEGLI premiums and will continue to be insufficient on an ongoing basis.

You have three choices: to terminate all of your FEGLI coverage, to terminate some of your FEGLI coverage, or to continue your FEGLI coverage by paying the premiums directly on a current basis.

TERMINATION - If you choose to terminate your coverage (or if you don't return this notice on time, and your coverage terminates automatically), the termination will take effect at the end of the last pay period for which premiums were withheld. Your coverage will continue for an additional 31 days at no cost to you. During those 31 days, you will be eligible to convert to a nongroup policy. You have been given the information necessary for you to convert.

You may terminate all of your FEGLI coverage or just a part of it. If you terminate only a part of your coverage, the premiums for the remaining coverage will be withheld from your salary, if it is large enough to do so. If your pay is still insufficient for the withholdings for the remaining insurance, you must make direct payments.

When your pay becomes sufficient for withholding: When your pay again becomes sufficient for the premium withholdings, any terminated coverage will be reinstated automatically. If you converted any of your coverage, you must contact the insurance company to terminate the conversion policy.

CONTINUATION - If you choose to continue your FEGLI coverage, you must pay the premiums directly. Your check (or money order) in the amount of ______________ must be made payable to ____________________________. Include on the check your name, Social Security number, a note that the payment is for "FEGLI premium," and the pay period for which the payment is being made. Mail to: ____.

By choosing to continue your coverage and make direct premium payments, you are agreeing that if you do not make the payments, your coverage will be cancelled. If your coverage is cancelled for nonpayment, you will not have the right to convert, and your coverage will not be reinstated if your salary eventually becomes large enough for the premium withholdings.

Please check the appropriate space(s) below, sign the notice, and return it to your employing office at ____.

I have read this notice, and I understand my choices. I choose the following:

1. ___________ I choose to terminate all my FEGLI coverage. I understand that the coverage will be reinstated automatically when my pay becomes sufficient for withholding the premiums.

2. I choose to terminate only the following FEGLI coverage(s):

   ___________ Option C (Number of multiples [1-5] you want to terminate ________)
   ___________ Option A
   ___________ Option B (Number of multiples [1-5] you want to terminate ________)

   I understand that the premium for the coverage(s) that remain will be withheld from my pay if it is sufficient for doing so; otherwise I must pay my premiums directly on a current basis.

3. ___________ I choose to continue my FEGLI coverage. I understand that if I do not make the payments on a current basis, my coverage will be cancelled and will *not* be reinstated when my pay becomes sufficient for withholding the premiums.

(Employee's signature) (Date)

If you have any questions, contact _________________________ at ________________. [*Insert name and phone number of agency contact.*]

(End of Notice)

What are the Effects of a Cancellation?
When your coverage is cancelled because you did not pay your premiums:

- you do not get the 31-day extension of coverage or the right to convert;
- it is considered a break in the continuous coverage needed to continue FEGLI coverage into retirement; and
- your FEGLI coverage will not be reinstated when your pay becomes sufficient to make the withholdings.

What Happens When My Pay Becomes Large Enough for Premium Withholdings?
If You Chose Termination
If you chose termination, or if your life insurance terminated because you didn't return the required notice, your FEGLI coverage is automatically reinstated when your pay becomes sufficient to cover the withholdings.

Your employing office must prepare a memo noting the reinstatement of your coverage and attach it to the most recent Life Insurance Election Form (SF 2817) in your file. If you converted any of your coverage, you must terminate the conversion policy.

If You Chose Direct Pay
If you chose direct pay and made the premium payments, your employing office must start withholding premiums from your pay as soon as your pay becomes sufficient. If your employing office has contracted with the National Finance Center (NFC), your employing office must notify NFC that premiums are again being withheld from your pay, so that NFC can close out your account.

If you chose direct pay but you did not make the premium payments, your coverage remains cancelled even when your pay becomes sufficient to cover the withholdings.

REMITTANCE TO OPM

When to Remit
An employing office remits life insurance withholdings and contributions to OPM on the same date it pays its payroll.

How to Remit
The method for remitting payments and supporting accounting information to OPM is the Retirement and Insurance Transfer System (RITS).
OPM will credit the total amount reported for life insurance to the Employees' Life Insurance Fund.

ADJUSTING ERRORS

Errors in Withholdings and Contributions
Payroll offices adjust errors in withholdings and contributions on a subsequent payroll and include the adjustments in a subsequent withholdings and contributions report.

Your employing office ensures that your individual payroll record shows not only the regular (current) deductions as life insurance withholdings, but also the adjustments.

Errors Involving Current Employees - Overdeductions
When too much money has been withheld from your pay - or when withholdings have been made when you are ineligible or have waived coverage - your payroll office adjusts the withholdings on a subsequent payroll on which your name appears. This adjustment automatically corrects any excess agency contribution.

Errors Involving Current Employees - Underdeductions
When too little money - or no money - has been withheld from your pay, your payroll office must remit the payment to OPM no later than 60 calendar days after the date it determines the amount of the underdeduction. *This payment must be made to the Office of Personnel Management regardless of whether or when your employing office recovers the underdeduction from you.*

The underdeduction represents an overpayment of pay to you. Your employing office must determine whether to waive collection of the overpayment, in accordance with 5 U.S.C. 5584, as implemented by 4 CFR chapter 1, subchapter G. This provides that an employing office can waive recovery of the overpayment if, in its judgment, you are without fault and recovery would be against equity and good conscience. (If your employing office is excluded from the provisions of 5 U.S.C. 5584, it can use any applicable authority to waive the collection.)

If your employing office waives the collection of the unpaid deductions, it must make the payment, along with any applicable Government contributions, out of its own funds.

Errors Involving Separated Employees
When an adjustment in withholdings is necessary after you have separated from service, your payroll office must make the adjustment in your final pay (or payment to your beneficiary or estate).