



**PORTABILITY OF BENEFITS
FOR MOVES BETWEEN
CIVIL SERVICE AND
NONAPPROPRIATED FUND
EMPLOYMENT SYSTEMS**

REFERENCE GUIDE

June 2003



**Department of Defense
Civilian Personnel Management Service
Nonappropriated Fund Personnel Policy Division
and
Field Advisory Services Division**

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ACRONYMS

APF	Appropriated Fund
AAFES	Army and Air Force Exchange Service
BAL	Benefits Administration Letter
BBA	Business Based Action
CFR	Code of Federal Regulations
CPO	Civilian Personnel Office
CSRS	Civil Service Retirement System
DASD(CPP)	Deputy Assistant Secretary of Defense (Civilian Personnel Policy)
DUSD(CPP)	Deputy Under Secretary of Defense (Civilian Personnel Policy)
DoD	Department of Defense
EMF	Employee Medical Folder
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
HRO	Human Resources Office
MRPF	Merged Records Personnel Folder
MSPB	Merit System Protection Board
MWR	Morale, Welfare, and Recreation
NAF	Nonappropriated Fund
NAFI	Nonappropriated Fund Instrumentality
NEXCOM	Navy Exchange Service Command
NOAC	Nature of Action Code
OPF	Official Personnel Folder
OPM	Office of Personnel Management
RIF	Reduction in Force
SF	Standard Form
TCC	Temporary Continuation of Coverage
TSP	Thrift Savings Plan
U.S.C.	United States Code

INTRODUCTION

Under 5 U.S.C. 2105(c), with certain exceptions, nonappropriated fund (NAF) employment is not considered to be Federal service for purposes of laws administered by the Office of Personnel Management (OPM). NAF employee benefits, including retirement, health, and life insurance coverage, are not subject to requirements applicable to civil service positions. Therefore, unless specifically provided by law, NAF service is not creditable for purposes of civil service benefits, nor is service in an appropriated fund position creditable for purposes of DoD NAF benefits. This handbook provides information about those laws and regulations that provide service credit and other portability of benefits for employees moving between NAF and appropriated fund (APF) positions.

The Nonappropriated Fund Instrumentality (NAFI) Employees' Retirement Credit Act of 1986, Pub. L. 99-638, was the initial law to permit civil service retirement system credit for former NAF service. That law provides civil service retirement system (CSRS) credit for service in certain morale, welfare, and recreation (MWR) positions after June 18, 1952, but before January 1, 1966.

The Portability of Benefits for NAF Employees Act, Pub. L. 101-508, was enacted in 1990. Section 1043 of Pub. L. 104-106 expanded the authorities provided by the Portability Act, primarily in the area of retirement elections. The 1990 and 1996 portability legislation provide a retirement election for eligible employees who move with a break in service of no more than one year between DoD or Coast Guard NAF positions and retirement covered civil service positions in **any agency** (the 1996 legislation changed the break in service from three days to one year and expanded portability retirement elections to agencies outside DoD). Additionally, employees who move with a break in service of no more than **three days** between **DoD** NAF and **DoD** APF positions may be eligible for pay, leave, and reduction in force benefit portability. A chronology of these laws is provided at page 4 of this Handbook, followed on page 5 by a summary of the benefits provided by the laws and implementing regulations.

The National Defense Authorization Act for Fiscal Year 2002, Pub. L. 107-107, contained changes that affect certain employees Government-wide. The changes are effective on or after December 28, 2001. Section 1131 removes the requirement for an employee to be vested in the losing retirement plan in order to continue retirement coverage after moving between civil service and DoD or Coast Guard NAF positions. Section 1132 permits employees in CSRS and Federal Employees Retirement Service (FERS) to use prior NAF service to qualify for an immediate retirement. Credit for NAF service under this law **will not** result in higher CSRS or FERS annuity benefits.

This handbook is provided for DoD APF and DoD NAF civilian human resources office (HRO) use in processing appointments and retirements for employees who move between NAF and APF employment systems. It is an adjunct to the Public Laws, DoD policy, and the various, relevant OPM regulations and benefits administration letters.

CHRONOLOGY OF PUBLIC LAWS ON PORTABILITY OF BENEFITS

The NAFI Retirement Credit Act of 1986, Public Law 99-638.

- Provides CSRS credit for former NAF service.
- Requires that NAF service be in certain MWR positions after June 18, 1952 and before January 1, 1966. (Affected employees were primarily Army NAF employees in recreation, youth activities, and arts and crafts positions who were not covered by a NAF retirement system.)

The Portability of Benefits for NAF Employees Act of 1990, Public Law 101-508.

- Permits employees to remain in their civil service or NAF retirement plan when they move between APF and NAF employment systems.
- Covers moves between DoD NAF and DoD APF positions on or after January 1, 1987, without a break in service of more than 3 days.
- Requires employee be vested (five years in retirement plan).
 - Does not permit CSRS and FERS credit for former NAF service.
 - Enacted primarily to assist DoD employees affected by the January 1, 1987, Congressionally directed restructuring of the MWR program.

FY 96 National Defense Authorization Act, Public Law 104-106, Section 1043.

- Expands the 1990 Portability Act retirement election provisions to cover moves to APF positions outside of DoD and to cover moves with a break of not more than one year.
- Provides FERS credit for former NAF service retroactively. (For retroactive coverage, move must have occurred on or after January 1, 1966, but before August 10, 1996.)
- Requires employee be vested in the NAF plan.
 - No retirement election for employees in CSRS.
 - For FERS credit, NAF employer and employee contributions transfer. If funds are less than actuarial present value of the additional annuity, the annuity is reduced accordingly.

FY 02 National Defense Authorization Act, Pubic Law 107-107, Sections 1131 and 1132, effective on or after December 28, 2001.

- Section 1131 makes it easier for employees to continue retirement coverage after moving between civil service and DoD or Coast Guard NAF positions. Employees are now able to continue coverage in the plan that covered them immediately before the move even if they are not vested in that retirement plan.
- Section 1132 permits employees in the CSRS and FERS to use prior NAF service to qualify for an immediate retirement. Credit for NAF service under this law **will not** result in higher CSRS or FERS annuity benefits.

SUMMARY OF PUBLIC LAWS AND REGULATIONS ON PORTABILITY OF BENEFITS FOR DOD EMPLOYEES

This summary is provided for general information only. Please refer to the referenced laws and regulations, as well as DoD 1400.25-M, DoD 1401.1-M, and the attached list of suggested additional reading material for more detailed information.

- **Retirement.** Employees who move between DoD NAF positions and APF positions in any agency without a break in service of more than one year may elect to continue coverage in that retirement system following the move. Alternatively, the employee may enter the gaining employer's retirement system with no service credit transfer. (5 U.S.C. 8347 (q) and 8461 (n); 5 CFR Part 847 and Part 1620, Subpart D)
 - Employees who remain in a NAF retirement system are eligible to contribute to the applicable NAF 401(k) plan; employees who remain in CSRS or FERS are subject to Thrift Savings Plan (TSP) regulations.
 - Certain employees who moved prior to August 10, 1996, were eligible for retroactive retirement coverage elections under Section 1043 of Pub. L. 104-106. Those elections should have been made by August 11, 1997; however, waivers of this deadline are authorized for employees who did not receive notice and counseling.
 - On or after December 28, 2001, employees that move between the civil service and NAF employment systems are not required to be vested in the losing retirement plan in order to continue participation in that plan. (Section 1132 of Pub. L. 107-107)
 - Employees may use prior NAF service to qualify for an immediate retirement. Credit for NAF service **will not** result in a higher CSRS/FERS annuity benefit. The retirement must occur on or after December 28, 2001. (Section 1131 of Pub. L. 107-107)
- **Leave Accrual and Accumulation.** Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit for annual leave purposes. Annual, sick, and home leave balances transfer to the gaining employment system; employees may not receive lump sum payment for accumulated/accrued annual leave. (5 U.S.C. 5551(a); 5 U.S.C. 6308 (b), and 6312)
- **Initial Pay Setting.** Employees who move involuntarily between DoD NAF and DoD APF positions without a break in service of more than three days receive pay protection at the level of their last basic rate of pay. The employee's highest previous rate may be considered in voluntary moves. Grade and pay retention provisions may apply where an involuntary move results in a reduction. (5 U.S.C. 5334 (f); 5 CFR 531.206, 536.103 and 536.104)

- **Step Increases.** Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit towards waiting periods for pay increases. (5 CFR 531.406 (b) (4))
- **Time-In-Grade.** NAF service is creditable towards civil service time-in-grade requirements. (5 CFR 300.605)
- **Severance Pay.**
 - **Determining Creditable Service:** Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit for severance pay purposes. (5 CFR 550.705 and 550.708)
 - **Limitation on Payment of Severance Pay:** Employees who are entitled to NAF or APF severance pay are prohibited from receiving severance pay if they move between DoD NAF and DoD APF positions without a break in service of more than three days. Employees who are entitled to APF severance pay and who move to DoD NAF positions without a break in service of more than three days may be eligible to have the APF severance pay resumed if they are later involuntarily separated from the NAF position. (5 U.S.C. 5595 (h))
- **Career Tenure.** An employee whose NAF position is brought into the competitive service is eligible to receive service credit towards career civil service tenure. Employees hired under the authority of the DoD/OPM Interchange Agreement also receive credit for NAF service towards civil service career tenure. (5 CFR 315.201 (b) (1) (vi)); a copy of the OPM Interchange Agreement is available in DoD 1400.25-M, Subchapter 1403, Figure 1403 -1)
- **Travel, Transportation, and Relocation.** Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days are authorized expenses and allowances to the same extent and under the same conditions as transferred APF employees. (5 U.S.C. 5736)
- **Reduction-In-Force (RIF)/Business Based Action (BBA).** Employees who move, on or after January 1, 1966, between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit for civil service RIF or NAF BBA purposes. (5 U.S.C. 3502 (a)(4)(C)(ii))

ADDITIONAL READING

- 5 U.S.C. 8332 (b) (16), implements Pub. L. 99-638, and provides CSRS credit for certain NAF service, and 8347 (q), and 8461 (n), as amended by Pub. L. 107-107, which deal with retirement coverage elections.
- 5 CFR Parts 831 (Retirement), 837 (Reemployment of Annuitants), 841 (FERS General Administration), 842 (FERS Basic Annuity), 843 (FERS Death Benefits and Employee Refunds), 844 (FERS Disability Retirement), and 847 (Election of Retirement Coverage by Current and Former Employees of Nonappropriated Fund Instrumentalities).
- 5 CFR Part 1620, Subpart D, provides regulations governing TSP participation by employees who move between DoD NAF and APF positions.
- Benefits Administration Letter (BAL) #96-107, August 20, 1996, deals with retirement election opportunities for certain NAF employees appointed to civil service positions on or after August 10, 1996. www.opm.gov/asd/htm/bal-1.htm
- Benefits Administration Letter #96-108, September 6, 1996, deals with retirement election opportunities for certain FERS employees appointed before August 10, 1996, with previous NAF service in DoD or the Coast Guard. www.opm.gov/asd/htm/bal-1.htm
- Benefits Administration Letter #02-102, May 1, 2002, removes the vesting requirement upon moves between civil service and NAF positions. www.opm.gov/asd/htm/bal-1.htm
- Benefits Administration Letter #03-102, January 22, 2003, describes how employees may make an election to credit NAF service to qualify for immediate retirement and how to compute the annuity when such an election is made. www.opm.gov/asd/htm/bal-1.htm
- CSRS/FERS Handbook, Chapter 20, Section 20A2.1-5 provides information on credit for service with a NAFI; Chapter 12, Section 12A5.1-4, provides information on portability of benefits for nonappropriated fund employees.
- DoD Financial Management Regulation 7000.14-R, Volume 8, Civilian Pay Policy and Procedures for appropriated fund activities; Volume 13, Nonappropriated Funds Policy and Procedures, directs financial management requirements, systems, and functions for NAF activities.
- Deputy Assistant Secretary of Defense (Civilian Personnel Policy) (DASD(CPP)) memorandum, dated August 9, 1996, Subject: Retirement Coverage Election Under Section 1043, Pub. L. 104-106. This memorandum amended the retirement coverage section of Appendix F of DoD 1401.1-M, transmitted by DASD(CPP) memorandum dated April 6, 1991, Subject: DoD Employee Benefit Portability Programs.

- DASD(CPP) memorandum, dated October 28, 1996, Subject: Retirement Coverage Election Under Section 1043, Pub. L. 104-106, provides OPM forms and instructions for NAF employees who moved on or after August 10, 1996. It also provides retroactive retirement elections for eligible employee who moved between the two systems after December 31, 1965, and before August 10, 1996. Copies of DASD(CPP) memorandums are available from the NAF Personnel Policy Office, 1400 Key Boulevard, Suite B200, Arlington, VA 22209-5144; Telephone (703) 696-3310 or DSN 426-3310.
- DASD(CPP) memorandum, dated June 10, 2002, Subject: Retirement Election Opportunities Under Pub. L. 107-107, The National Defense Authorization Act for Fiscal Year 2002, advises that the requirement for an employee to be vested in the losing retirement plan, in order to continue coverage in that retirement plan upon a move between the civil service and NAF employment systems, was eliminated effective December 28, 2001.
- DUSD(CPP) memorandum, dated March 12, 2003, Subject: Retirement Election Opportunities Under Pub. L. 107-107, National Defense Authorization Act for Fiscal Year 2002, provided guidance on how CSRS and FERS employees may elect to credit DoD or Coast Guard NAF Service for the sole purpose of establishing eligibility for immediate retirement benefits. This election will not result in higher CSRS or FERS annuity benefits.

APPOINTMENT PROCEDURES

PROCESSING EMPLOYEES MOVING FROM CIVIL SERVICE TO NAF

Portability of Pay and Benefits other than Retirement.

The NAF HRO determines whether the employee is eligible for portability of pay and benefits other than retirement. To be eligible, the employee must:

1. Move from a DoD civil service position to a DoD NAF position; and
2. Move without a break in service of more than three days.

If eligible, the HRO adjusts pay, service computation dates, and leave balances accordingly. The HRO processes the employee using the same procedures and forms as for any other NAF employee. If the NAF appointment form contains a “Remarks” section, it should be used to document the employee’s eligibility for portability of benefits.

Use of a Merged Record Personnel Folder. (Employees eligible for Portability of Pay and Benefits other than Retirement.)

Use OPM-designated folders, Standard Form 66-C, “Merged Records Personnel Folder” (MRPF) and Standard Form 66-D, “Employee Medical Folder” (EMF) to retain the records of employees who qualify for portability of pay and benefits.

Portability of Retirement Coverage.

To be eligible for an election to continue coverage in CSRS or FERS, the employee must:

1. Move from a civil service position in any agency to a DoD NAF position; and
2. Move without a break in service of more than one year.

(Employees who moved prior to December 28, 2001, had to be vested in CSRS or FERS.)

Employees who are eligible to elect retention of CSRS or FERS coverage have 30 days to make their decision. To make the decision, employees may need annuity estimates or other assistance from the NAF and APF retirement offices. If an employee elects to retain CSRS or FERS, but the election is later than the date of appointment, issue a corrective personnel action to reflect the appropriate retirement system.

The retirement election decision is irrevocable. An employee who elects to retain CSRS or FERS will continue coverage under that retirement system regardless of future movement between NAF and APF employment, any break in service, or change in retirement status. Employees who elect not to retain CSRS or FERS coverage will not be given another opportunity to be covered by CSRS or FERS, while under a NAF appointment.

If the employee elects not to retain CSRS or FERS, service credit does not transfer for NAF retirement purposes.

Job Aids, retirement election forms, and instructions for the forms are at Attachment 1.

PROCESSING EMPLOYEES MOVING FROM CIVIL SERVICE TO NAF

NAF 401(k) plan or Thrift Savings Plan (TSP) enrollment.

Employees who retain CSRS or FERS coverage are eligible to continue TSP participation; they may not participate in the NAF 401(k) plan. If the employee does not elect to retain CSRS or FERS coverage, the employee may no longer contribute to TSP. The employee then becomes subject to NAF retirement system rules, and may participate in the NAF 401(k) savings plan. The employee may roll over TSP funds to the applicable NAF 401(k) plan, under the rules of the NAF plan. TSP Transfer of Information Between Agencies form is at Attachment 1-11.

Health and Life Insurance.

Federal employees health benefits (FEHB) and federal employees group life insurance (FEGLI) coverage are not portable regardless of the employee's retirement system election. Eligible employees may elect to join the DoD NAF Health Benefits Program within 31 days of appointment to the NAF position. Eligible employees may also enroll in the NAF employer's life insurance program under the employer's provisions for new employees.

**PROCESSING EMPLOYEES MOVING FROM NAF TO
CIVIL SERVICE**

Portability of Pay and Benefits other than Retirement.

The APF HRO determines whether the employee is eligible for portability of pay and benefits other than retirement. To be eligible, the employee must:

1. Move from a DoD NAF position to a DoD civil service position; and
2. Move without a break in service of more than three days.

If eligible, the HRO adjusts pay, service computation dates, and leave balances accordingly. The HRO processes the individual using the same procedures and forms as any other civil service appointment. The HRO should use the "Guide for Processing Personnel Actions," to obtain appropriate nature of action codes (NOAC), authority codes, and other pertinent information for processing the appointment SF-50. Chapter 9, Table 9-D, in the "Guide" provides the NOAC and authority code for employees appointed under the Interchange Agreement.

Use of a Merged Record Personnel Folder. (Employees Eligible for Portability of Pay and Benefits other than Retirement.)

Use OPM-designated folders, Standard Form 66-C, "Merged Records Personnel Folder" (MRPF) and Standard Form 66-D, "Employee Medical Folder" (EMF) to retain the records of employees who qualify for portability of pay and benefits.

Portability of Retirement Coverage.

To be eligible for an election to continue coverage in the NAF retirement system, the employee must:

1. Move from a DoD NAF to a civil service position in any agency; and
2. Move without a break in service of more than one year.

(Employees who moved prior to December 28, 2001, had to be vested in the NAF plan.)

Employees who are eligible to elect retention of NAF retirement system coverage have 30 days to make their decision. To make the decision, employees may need annuity estimates or other assistance from the APF and NAF retirement offices. The HRO refers the employee to the applicable NAF retirement benefits office to obtain information on NAF retirement benefits. If an employee elects to retain the NAF retirement system, but the election is later than the date of appointment, issue a corrective personnel action to reflect the appropriate retirement system.

The retirement election decision is irrevocable. Upon retirement, subsequent employment as either a civil service or NAF employee will be subject to the rules and regulations as a re-employed annuitant. An employee who elects to retain NAF retirement coverage will continue coverage under that retirement system regardless of future movement between APF and NAF employment, any break in service, or change in retirement status.

Employees who elect not to retain NAF coverage will not be given another opportunity to be covered by a NAF retirement plan, while under a civil service appointment.

If the employee elects not to retain the NAF retirement plan, service credit does not transfer for retirement purposes. If, however, the employee retires on or after December 28, 2001,

**PROCESSING EMPLOYEES MOVING FROM NAF TO
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the employee may use prior NAF service to qualify for an immediate retirement, but that period of time can not be used in a NAF retirement calculation. Credit for NAF service will not result in higher CSRS or FERS annuity benefits. Upon retirement, subsequent employment as either a NAF or civil service employee will be subject to the rules and regulations as a reemployed annuitant.

Job Aids, retirement election forms, and instructions for the forms are at Attachment 4.

TSP or NAF 401(k) plan enrollment.

Employees who retain NAF retirement coverage may continue to participate in the NAF 401(k) plan; they may not participate in TSP. If the employee does not elect to retain NAF retirement coverage, he or she becomes subject to the civil service retirement system and may roll NAF 401(k) funds into TSP.

Health and Life Insurance.

NAF health and life insurance are not portable regardless of the employee's retirement system election. Eligible employees may elect to join FEGLI within 31 days of appointment to the civil service position, and enroll in FEHB within 60 days of appointment.

RETIREMENT PROCEDURES

NAF EMPLOYEES RETIRING UNDER CSRS OR FERS

Retirement Forms.

The NAF HRO is responsible for providing and processing forms for NAF employees retiring under CSRS or FERS. However, in order to properly assist these employees, the NAF HRO should seek assistance from an APF retirement specialist or the NAF benefits expert designated by the employer.

CSRS: The NAF HRO will provide the appropriate completed forms to OPM: SF 2801 – Schedules A, B, and C, SF 2801-1, SF 2801-2, SF 2801-3, SF 2801 – Schedule D, SF 2802, and SF 2808 for employees retiring under CSRS.

FERS: Forms to be completed for employees retiring from FERS include SF 3107 – Schedules A, B, and C, SF 3107-1, SF 3107-2, SF 3107 – Schedule D, SF 3109, and SF 3102. For FERS employees applying for a deferred or postponed retirement, use OPM Form RI 92-19.

Disability retirement requires completion of an SF 3112 and OPM Form 1510 for both CSRS and FERS covered employees. For all CSRS and FERS retirements, the Individual Retirement Record must be submitted with the retirement package.

Health and Life Insurance.

NAF health and life insurance eligibility rules apply. The DoD NAF Health Benefits Program requires 15 years of cumulative participation in the health program in order to continue health coverage in retirement. Continuous time in FEHB as of the day before a move from a DoD APF position to a DoD NAF position without a break in service of more than three days will be credited towards this requirement. The 15-year participation requirement is waived for employees who had five years of continuous FEHB enrollment at the time of an involuntary move to NAF.

The NAF HRO must complete the NAF life and health forms and submit them to the NAF Benefits Office. That office will bill the retiree directly. If employee is not eligible to carry NAF health insurance into retirement, the HRO must advise of any Temporary Continuation of Coverage (TCC) eligibility. The applicable NAF Benefits Office is responsible for providing NAF health and life insurance materials to those CSRS and FERS retirees eligible to continue NAF health and life insurance coverage.

The employee is not eligible for FEHB or FEGLI coverage.

Sick Leave. Sick leave is credited in accordance with the rules of the employee's retirement system. (See CSRS rules for crediting sick leave. Employees covered by FERS do not receive credit for sick leave.)

APF EMPLOYEES RETIRING UNDER A NAF RETIREMENT SYSTEM

Retirement Forms.

When an employee elects to retire, the APF HRO will provide a list of applicable service credit to the appropriate NAF retirement benefits office (addresses are included in Attachment 2), which will provide a retirement estimate.

SF-50: If all requirements for retirement under the NAF retirement plan are met, the APF HRO documents the retirement SF-50.

- Refer to the “Guide for Processing Personnel Actions,” Chapter 30, “Retirements,” Table 30-A for “Documenting Retirements,” regarding “A retirement system *other* than the Civil Service Retirement System or Federal Employees Retirement System.”
- Use the appropriate NOAC and authority code “USM,” Pub. L. 107-107.
- See Table 30-B, “Remarks Required for Retirement Actions,” Remark B63, “Elected to retain coverage under a retirement system for NAF employees.”

The NAF retirement benefits office will provide the appropriate NAF forms and process the completed employee application.

Health and Life Insurance.

FEHB and FEGLI rules apply.

- Use the same rules you apply for CSRS and FERS retirements using the five-year or first opportunity rule to continue coverage into retirement.
- **Remind employees that they must elect NAF retirement plan survivor benefits through the NAF HRO in order for a spouse to continue FEHB upon the retiree’s death.**

The APF HRO completes the same FEGLI/FEHB forms used for employees retiring under CSRS/FERS, then transmits those forms to the NAF retirement benefits office, with a memorandum explaining the transfer of benefits to the NAF retirement plan. The NAF retirement plan is responsible for forwarding the employee portion of the FEHB and FEGLI, which is deducted from the retiree’s annuity. If the annuity is not adequate to pay the premium, the employee may pay directly to the retirement plan. The agency share is paid by OPM. However, to enable OPM to determine the appropriate government share, the NAF retirement benefits office must show the government share on the SF 2812.

The applicable NAF retirement benefits office is responsible for providing health and life insurance open season materials and information to NAF retirement plan annuitants and survivors covered by FEHB and FEGLI.

If the employee is not eligible to carry FEHB into retirement, FEHB is terminated. The APF HRO must offer the employee a 31-day extension of coverage, conversion privileges, and TCC. If the employee enrolls in TCC, the APF HRO follows the same procedures as for any other TCC enrollment and sends the completed forms to the National Finance Center.

The employee is not eligible for NAF health or life insurance coverage.

Sick Leave. Sick leave is credited in accordance with the rules of the employee’s NAF retirement plan.

DEATH BENEFIT PROCEDURES

NAF EMPLOYEES WHO RETAINED CSRS OR FERS

Death of an Active NAF Employee Covered by CSRS or FERS.

In establishing a case file for the deceased, see reference guide at http://www.cpmis.osd.mil/fas/benefits/pdf/205_214_rg.pdf for information applicable to CSRS/FERS retirement. The NAF HRO processes the same NAF health and life insurance forms as for any other NAF appointment.

Death of a Retired NAF Employee Covered by CSRS or FERS.

The NAF HRO processes the same NAF health and life insurance as for any other retired NAF employee. Application of death benefits should be submitted to Office of Personnel Management, Retirement Operations Center, P. O. Box 45, Boyers, PA 16017, (202) 606-0500.

APF EMPLOYEES WHO RETAINED NAF RETIREMENT SYSTEM

Death of an Active Civil Service Employee Covered by a NAF Retirement Plan.

When an APF employee covered by a NAF retirement plan dies, the APF HRO contacts the applicable NAF retirement benefits office and requests appropriate NAF retirement plan or survivor benefit forms for completion by next of kin. The NAF retirement benefits office will process the completed forms. The APF HRO processes the same FEGLI and FEHB forms as it would for any other APF employee.

Death of a Retired Civil Service Employee Covered by a NAF Retirement Plan.

When an APF retiree covered by a NAF retirement plan dies, the survivor should notify the applicable NAF retirement benefit office as soon as possible. The NAF retirement benefits office will provide the appropriate application for death benefits forms, inform survivors of their entitlement, and prepare and process the appropriate FEHB/FEGLI forms.

CPMS ADDRESSES AND PHONE NUMBERS



Questions should be referred to:

APPROPRIATED FUND

Field Advisory Service (FAS)
DSN: 426
(703) 696-6301
e-mail: fas@cpms.osd.mil

NONAPPROPRIATED FUND

Nonappropriated Fund (NAF)
DSN: 426
NAF Personnel Policy Office
(703) 696-3318 or (703) 696-3310

Address for FAS and NAF is:

**1400 Key Blvd., Suite B200
Arlington, VA 22209-5144**

CHARTS

Retroactive Retirement Elections
Prospective Retirement Elections

RETROACTIVE RETIREMENT ELECTIONS

These retroactive retirement elections apply to employees moving between Nonappropriated Fund (NAF) positions and appropriated fund (APF) positions on or after January 1, 1966, but before August 10, 1996, the effective date of the regulations implementing Section 1043 of Pub. L. 104-106. These elections are offered if the employee **was vested** in the retirement plan of the position from which he or she moved, the move occurred without a break in service of more than **one year**, and the employee has remained, since the qualifying move, continually subject to the current retirement system (CSRS or FERS if move was from NAF, NAF system if the move was from civil service). Individuals who retired after the date of the move are ineligible.

IF EMPLOYEE IS IN:	HE/SHE MAY ELECT TO:	FUNDING IF ELECTION MADE:¹
CSRS following move from a NAF position covered by a NAF plan to an APF position covered by CSRS.	No election.	N/A
FERS following move from a NAF position covered by a NAF plan to an APF position covered by FERS.	Return to NAF retirement plan and have APF service credited; or	FERS funds transfer to NAF. ²
	Have NAF service credited toward FERS retirement plan. ³	NAF funds transfer to FERS.
NAF Plan following move from an APF position covered by CSRS.	Return to CSRS and have NAF service credited.	NAF funds transfer to CSRS.
NAF Plan following move from an APF position covered by FERS.	Return to FERS and have NAF service credited; or	NAF funds transfer to FERS.
	Have FERS time credited toward NAF retirement for eligibility purposes only; or	No FERS funds transfer to NAF. No employee payment is required.
	Have FERS time credited toward NAF retirement for eligibility <u>and</u> computation purposes.	No employer funds transfer from FERS. NAF annuity is reduced by the actuarial present value of additional NAF retirement benefits attributable to the APF service credited toward NAF retirement.

Chart 1

¹ Only employee contributions would include interest.

² If funds are less than actuarial present value of future additional annuity, then annuity is reduced accordingly.

³ May make election even if employee made, or had the opportunity to make, an election under the 1990 Portability Act.

NOTE: NAF 401(k) or TSP rules apply to any necessary disbursements and contributions to 401(k) and TSP accounts required as a result of a retroactive retirement election.

PROSPECTIVE RETIREMENT ELECTIONS

These retirement elections apply to employees moving between DoD or Coast Guard nonappropriated fund (NAF) positions and appropriated fund (APF) positions, **whether within or outside of the Department of Defense**, on or after August 10, 1996, the effective date of the regulations implementing Section 1043 of Pub. L. 104-106. These elections are offered if: (1) the move occurs without a break in service of more than **one year**; and (2) the employee has not previously made an election under applicable provisions. Before December 28, 2001, employees had to be vested in order to remain in the losing plan. Pub. L. 107-107 removed the vesting requirement.

IF EMPLOYEE IS IN:	RETIREMENT ELECTION	CONTRIBUTIONS TO RETIREMENT PLAN
1. NAF position moving to an APF position which provides retirement coverage.	(a) Remain in the NAF plan; or	APF employer makes employer and employee contributions to NAF retirement plan. Employee and employer contributions to the relevant NAF retirement plan and to the relevant NAF 401(k) plan will be calculated the same as for a NAF employee in a NAF plan.
	(b) Join FERS (or reenter CSRS if eligible). Receive no credit for NAF service.	APF employer makes employer and employee contributions to FERS (or CSRS if applicable). TSP salary deductions and contribution rules apply.
2. APF position moving to a NAF position covered by a NAF retirement plan.	(a) Remain in CSRS; or	NAF employer makes employer and employee contributions to CSRS. NAF employer remits any TSP employee contributions.
	(b) Join NAF plan. Receive no credit for APF service.	NAF employer makes employer and employee contributions to NAF plan. NAF 401(k) rules apply.
3. APF position moving to a NAF position covered by a NAF retirement plan.	(a) Remain in FERS; or	NAF employer makes employer and employee contributions to FERS. NAF employer shall remit TSP employer and employee contributions.
	(b) Join NAF plan. Receive no credit for APF service.	NAF employer makes employer and employee contributions to NAF plan. NAF 401(k) rules apply.

Chart 2