

Reduction in Force Benefits for Separated Employees Part 2: Health and Life Insurance and Retirement

April 24, 2025



The Reduction in Force (RIF) Learning Series

RIF Policy Advisory Team

Workforce Policy and Innovation

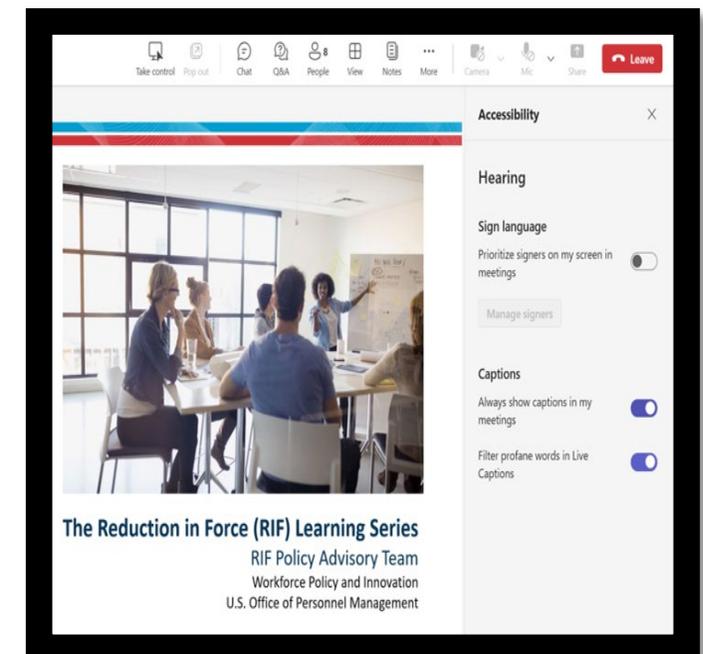
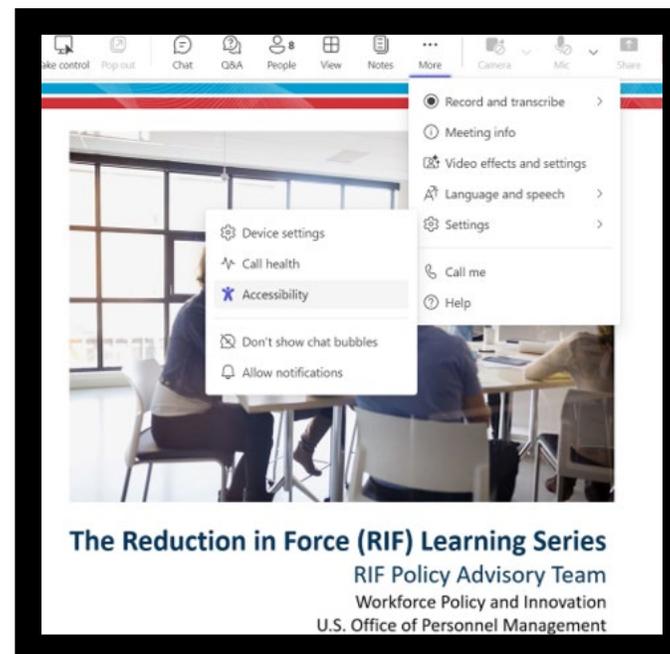
U.S. Office of Personnel Management

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A recording of this session with ASL interpreters may be found at <https://www.opm.gov/policy-data-oversight/workforce-restructuring/reductions-in-force-rif/#url=Resources-Templates>.

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Housekeeping Items

- A copy of this slide presentation is posted on OPM's [Reductions in Force \(RIF\)](#) Resources and Templates page.
- Ask questions in the Q&A, but please wait until a topic is covered so you're not posting a question that's already been answered. We have built in time at appropriate points to take questions.
- We'll respond to as many questions as we can; however, we cannot answer agency-specific or individual-specific questions.
- A recording of this webinar may be found on OPM's [Reductions in Force \(RIF\)](#) Resources and Templates page.

Benefits for Separated and Reinstated Employees

Topics

Impact to Separated and Reinstated Employees under:

- Federal Employees Health Benefits (FEHB) Program
- Federal Employees' Group Life Insurance (FEGLI)
- Federal Employees Dental and Vision Insurance Program (FEDVIP)
- Federal Long Term Care Insurance Program (FLTCIP)
- Federal Flexible Spending Account Program (FSAFEDS)

Definitions

Separated Employee

Separation from federal service is the process by which an employee of the federal government ends their employment. This can occur for various reasons and can either be voluntary or involuntary.

Voluntary – employee chooses to resign or retire

Involuntary – employee is terminated or laid off by agency, which is referred to as a reduction in force (RIF).

Reinstated Employee

Reinstatement is the process where a former employee is reinstated to their position or similar role within a specific timeframe. Individual circumstances may differ from agency to agency.

Federal Employees Health Benefits (FEHB) Program

Separated Employee

A federal employee who separates from federal service will have FEHB enrollment terminated at the end of the pay period that included the termination day. The separated employee will receive a 31-day temporary extension of FEHB coverage at no cost.

The separated employee's FEHB Carrier can assist the employee in converting to an individual (non-group) contract without evidence of good health, effective on the day after the 31-day temporary extension of coverage ends.

Reinstated Employee

An employee who is reinstated to duty can elect to have their prior FEHB enrollment reinstated back to the date of FEHB termination.

Premium withholdings and contributions must also be made retroactively as if the suspension or removal of FEHB coverage had not taken place. The FEHB coverage is considered to have been continuously in effect.

Federal Employees' Group Life Insurance (FEGLI)

Separated Employee

Basic and Optional insurance terminates at the end of the day on which an employee separates from service, including by a reduction in force. With termination there is a 31-day extension of coverage with a right to convert to a private policy.

Reinstated Employee

The employing office of a reinstated employee can correct a termination of coverage created by suspension or erroneous termination. In general, no withholdings for Basic or Optional insurance are made from a back pay award for the retroactive coverage.

Federal Employees Dental and Vision Insurance Program (FEDVIP)

Separated Employee

An employee cannot enroll in or continue FEDVIP enrollment after they leave federal service. There is no 31-day temporary extension of coverage or opportunity to convert to private coverage. Their coverage ends on the last day of the pay period during which they separate.

Reinstated Employee

Reinstated employees seeking to re-enroll in FEDVIP should contact BENEFEDS about enrollment. BENEFEDS asks that reinstated employees send an email to reinstatedfedvip@benefeds.gov with the employee's first and last name to seek reinstatement of FEDVIP coverage. If needed, BENEFEDS can provide customer assistance by calling **1-877-888-FEDS**.

Federal Long Term Care Insurance Program (FLTCIP)

Separated Employee

FLTCIP coverage remains in effect as long as the separated employee continues to pay premiums after separation from federal service. Agencies do not remove enrollees from coverage upon separation.

Reinstated Employee

FLTCIP coverage remains in effect as long as the employee continues to pay premiums.

Federal Flexible Spending Account Program (FSAFEDS)

Separated Employee

Health Care FSA (HCFSA) eligibility terminates on your separation date, with only pre-separation health care expenses being reimbursable. Dependent Care FSA (DCFSA) eligibility terminates on your separation date, with dependent care expenses through December 31st being reimbursable. For FSAFEDS, unused funds are forfeited.

Reinstated Employee

If you were rehired with a break in service, claims incurred while separated from service are not eligible for reimbursement. If you were reinstated with no break in service, all claims incurred during your term of employment are eligible for reimbursement. When you are reinstated or rehired, you should contact FSAFEDS at 1-877-FSAFEDS (1-877-372-3337) to reactivate your allotments and eligibility. FSAFEDS will recalculate your allotments to ensure you meet your annual election.

Questions

Retirement Benefits Overview

Agenda

- Retirement basics
- Immediate retirement
- Discontinued service retirement
- Deferred retirement
- Refund of retirement deductions

Retirement Basics

Retirement Systems

- Civil Service Retirement System (CSRS)
 - CSRS Offset
- Federal Employees Retirement System (FERS)
 - FERS-RAE (Revised Annuity Employee)
 - FERS-FRAE (Further Revised Annuity Employee)

Minimum Service Required for Retirement

- To be eligible for an annuity benefit, an employee must have a minimum of 5 years of creditable **civilian** service
- Creditable civilian service includes:
 - Service where pay was subject to retirement deductions (CSRS or FERS)
 - Service where retirement deductions were not withheld from pay (nondeduction or FICA only service), but a civilian service deposit was paid
 - FERS employees are only eligible to pay a deposit for service before 1989
- Creditable military service is **not** civilian service
 - Exception – military service that interrupts civilian service under USERRA

Immediate Retirement

Immediate Retirement

- An immediate annuity is one that starts within 30 days of separation from Federal service
- Must meet age and service requirements at separation
- Must separate from a position subject to CSRS or FERS
- Eligible to continue FEHB and/or FEGLI into retirement if 5-year continuous coverage requirement is met at separation
- Employee will apply for retirement through their agency
- CSRS/FERS Handbook, [Chapter 41](#) – Voluntary Retirement Based on Age and Service

CSRS Immediate Retirement Age and Service Requirements

An employee must be in a position under CSRS or CSRS Offset for at least 1 of the last 2 years before separation (“1-out-of-2” requirement)

Minimum Age	Minimum Total Creditable Service
Age 62	5 years
Age 60	20 years
Age 55	30 years

FERS Immediate Retirement Age and Service Requirements

Minimum Age	Minimum Total Creditable Service
Age 62	5 years
Age 60	20 years
Minimum Retirement Age (MRA)	30 years
MRA	10 years* *(age reduction applies)

FERS Minimum Retirement Age (MRA)

Year of Birth	Minimum Retirement Age (MRA)
Before 1948 through 1952	55 through 55 and 10 months
1953 – 1964	56
1965	56 and 2 months
1966	56 and 4 months
1967	56 and 6 months
1968	56 and 8 months
1969	56 and 10 months
1970 and later	57

FERS MRA + 10 Retirement

- Permanent age reduction is applied to the annuity computation at a rate of 5/12 of 1% for each full month (or 5% for each year) under age 62
- To minimize the age reduction, annuity commencement date may be postponed – must meet the age and service requirement at separation from Federal service
- Eligible for FEHB and/or FEGLI if 5-year continuous coverage requirement is met at separation
- Employee may choose when they want their annuity to start –
 - **Immediate** – employee will apply for retirement through their agency
 - **Postponed** – individual will complete [RI 92-19](#), *Application for Deferred or Postponed Retirement (FERS)*, and submit directly to OPM **90 days prior to their chosen annuity commencement date which must be the first day of a month after separation and at least 2 days before their 62nd birthday**
- CSRS/FERS Handbook, [Chapter 42](#) – MRA + 10 Retirement

Questions

Discontinued Service Retirement

Discontinued Service Retirement

- Immediate early retirement for employees separated involuntarily except for cause on charges of misconduct or delinquency
- Involuntary separation examples – reduction in force (RIF), abolishment of position, expiration of office term, transfer of function/reassignment outside commuting area, lack of funds, etc.
- Must not have received a reasonable offer of another position at or within two grade levels below their present position in the same local commuting area
- CSRS/FERS Handbook, [Chapter 44](#) – Discontinued Service Retirement

CSRS and FERS Discontinued Service Retirement Age and Service Requirements

Minimum Age	Minimum Total Creditable Service
Age 50	20 years
Any Age	25 years

Note: CSRS and CSRS Offset employees must meet the “1-out-of-2” requirement

Documentation for Discontinued Service Retirements

- Employee will apply for a discontinued service retirement through their agency
- The following documents must be included in the retirement application package for a discontinued service retirement –
 - If separated due to a RIF, a copy of the RIF notice given to the employee, and
 - *Certification of Agency Offer of Position and Required Documentation*, [OPM Form 1510](#) – which the agency completes to certify that a reasonable offer of another position was not made to the employee

Use of Annual Leave to Reach Retirement Eligibility

- Employees who are separated by a reduction in force (RIF), may be eligible to use accumulated annual leave to remain on the agency's rolls beyond the RIF effective date if doing so would allow the employee to reach their **first retirement eligibility date** under a voluntary retirement or discontinued service retirement
- Accumulated annual leave balance generally includes all annual leave as of the RIF effective date, plus the annual leave accrued while on leave between the RIF effective date and first retirement eligibility date
- Reference - [5 CFR 351.606\(b\)](#)

Annuity Commencement Date

- In general, voluntary retirements commence on the first day of the month following separation from Federal service
 - Example 1 – a voluntary retirement effective May 16 would have an annuity commencement date of June 1
 - Example 2 – a retirement under an agency’s VERA approval effective June 30 would have an annuity commencement date of July 1
- For retirements due to involuntary separation, the retirement would commence on the day after separation from Federal service
 - Example – an employee who will apply for a discontinued service retirement due to a RIF separation effective June 15 would have an annuity commencement date of June 16

Online Retirement Application (ORA)

- Agencies and payroll providers using ORA are encouraged to use this platform for employees who are retiring under a voluntary retirement, voluntary early retirement authority (VERA), and discontinued service retirement
- ORA provides users with the ability to electronically assemble and submit complete retirement application packages
- Users can attach supplemental documentation to the applicant's package (such as OPM Form 1510 for a discontinued service retirement)
- ORA keeps the applicant, HR, and payroll informed on items that require their attention throughout the ORA process via unique user dashboards and email

Questions

Deferred Retirement

Deferred Retirement

- Former Federal employee not eligible for an immediate annuity within 30 days of separation and who did not take a refund of retirement deductions
- Must meet the age and service requirements at elected annuity commencing date
- Not eligible to enroll in FEHB or FEGLI coverage
- Former Federal employee applies directly to OPM –
 - CSRS: [OPM Form 1496A](#), *Application for Deferred Retirement (CSRS)*
 - FERS: [RI 92-19](#), *Application for Deferred or Postponed Retirement (FERS)*
- CSRS/FERS Handbook, [Chapter 45](#) – Deferred Retirement

Refund of Retirement Deductions

Refund Eligibility

- Separated employees who are not eligible for retirement benefits may request a refund of their retirement deductions
- To be eligible for a refund, an employee must be –
 - Separated from Federal service for at least 31 days, and
 - Not reemployed in a position subject to CSRS or FERS deductions at the time the refund application is filed
- A separated employee may not receive a refund if they will meet the age and service eligibility requirements to receive annuity benefits within 31 days of filing a refund application

Refund Application Process

- Former Federal employee will submit refund application to –
 - Their former employing agency if separated for less than 30 days, or
 - Directly to OPM if they have been separated for more than 30 days
- Current and/or former spouse notification must be completed as part of the refund application, if applicable
 - CSRS: [SF 2802](#), *Application for Refund of Retirement Deductions (CSRS)*
 - FERS: [SF 3106](#), *Application for Refund of Retirement Deductions (FERS)*
- More information on refunds is available on the [OPM website](#)

Refund Options

- The retirement deduction portion of the refund is not taxable, but any interest included in the refund payment is taxable
- Refunds of FERS deductions will include interest if the period of service being refunded was for more than one year
- Refunds can be rolled over to an individual retirement account (IRA) or an employer-sponsored plan

Refund Impact on Future Benefits

- An employee with at least 5 years of creditable **civilian** service is vested and would be eligible for a deferred annuity at age 62 as long as a refund of retirement deductions was not received
- If an individual returns to Federal service after taking a refund, a redeposit of the refund amount, plus interest, will be required to receive credit in a future annuity computation
- Taking a refund of all retirement deductions without returning to Federal service makes a former employee ineligible for a deferred annuity benefit

Questions

Online Retirement Resources for Agencies

- [Civil Service Retirement System \(CSRS\)](#)
 - CSRS law – [5 U.S.C. Chapter 83](#)
 - CSRS regulations – [5 CFR Part 831](#)
- [Federal Employees Retirement System \(FERS\)](#)
 - FERS law – [5 U.S.C. Chapter 84](#)
 - FERS regulations – [5 CFR Part 842](#) and [5 CFR Part 843](#)
- [CSRS and FERS Handbook for Personnel and Payroll Offices](#)
- [Benefits Administration Letters \(BALs\)](#)

Wrap Up and Final Questions

Additional Online Resources for Agencies

- RIF law - [5 U.S.C. 3501 – 3504](#)
- RIF regulations - [5 CFR part 351](#)
- [Reductions in Force \(RIF\)](#) pages on OPM's website - various policy guides, including new, updated resources and templates
- [Workforce Reshaping Operations Handbook](#)

The Reduction in Force (RIF) Learning Series

RIF Policy Advisory Team

The U.S. Office of Personnel Management (OPM) invites Federal HR practitioners to learn about Reduction in Force (RIF) procedures and best practices.

A free, government-wide learning series available on [Eventbrite](#)* for all Federal HR practitioners.
***must have a .gov or .mil to register**

Upcoming Events - Check back at our series collection for updates!

These learning series do not advise on individual employment matters.



Thank You

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<https://surveys.opm.gov/se/5B5534D4014F5001>



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