




United States Department of Agriculture
Rural Development
Office of the Under Secretary

OCT 07 2011

TO: Agency Administrators
State Directors

ATTN: All Rural Development Employees

FROM: Dallas Tonsager
Under Secretary 

SUBJECT: Notice of Voluntary Early Retirement Authority and
Voluntary Separation Incentive Payment Authority

As Secretary Vilsack has indicated, the fiscal situation for Fiscal Year (FY) 2012 and beyond has necessitated a serious reexamination of priorities. This has resulted in the determination that many agencies will operate as restructured and leaner organizations. In order to address the upcoming FY 2012 budget reductions, the agency will use a variety of tools to minimize the impact on our employees and ensure equitable treatment among those involved.

Rural Development (RD) has received approval to offer up to 1,966 Voluntary Separation Incentive Payments (VSIPs) also known as "Buyouts". The Buyouts can be used in conjunction with an Optional Retirement or with a Voluntary Early Retirement Authority (VERA) also known as an "Early Out". **The initial offer for the VSIP will be \$25,000, however; it is expected to be set at a lesser amount for any subsequent opening periods.** RD's VSIP is offered to all optional retirement and early retirement eligible employees. The RD VERA is offered to all early retirement eligible employees. Engineers, GS-0800 all grade levels, the Information Technology Specialist (InfoSec), GS-2210-12 and Supervisory Information Technology Specialist (InfoSec) GS-2210-14 in Operations and Management, St. Louis, MO are exempt from the VERA and VSIP. These positions are critical to the mission of the Agency and are deemed hard to fill.

Your decision to separate by retirement is voluntary. This is an important decision and you are encouraged to seek information from your servicing Human Resources Manager for assistance in making an informed choice.

EXPIRATION DATE:
October 31, 2012

FILING INSTRUCTIONS:
Administrative Other Programs

1400 Independence Ave., S.W. • Washington, DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

Voluntary Early Retirement Authority (Early Out)

This authority expands the normal retirement eligibility to now allow employees to voluntarily retire, at age 50 with 20 years of service or at any age with 25 years of service.

To determine your eligibility and for more information, please do the following in order:

1. Review OPM's VERA Overview: <http://www.opm.gov/employ/vera/vera01.asp>
2. Review the "FAQs for VERA" (Attachment 1).
3. Review "Other Considerations for VERA" (Attachment 2).
4. Calculate an approximate annuity using the Federal Retirement Benefits (FRB) Calculator at: <https://connecthrusdaauth.gdcii.com>.

Due to the large number of employees who are currently eligible under this VERA opportunity, we ask that you review the OPM VERA information and use the FRB Calculator for an initial estimate before contacting the Human Resources Manager.

Voluntary Separation Incentive Payment Authority (Buyout)

This payment provides a financial incentive for eligible employees to voluntarily separate by Optional Retirement or VERA. The maximum amount payable for a buyout is \$25,000 (gross amount) or a deemed calculated amount for severance pay, whichever is less. The amount payable for a buyout is expected to be set less than \$25,000 for any follow-on VSIP opening periods. A sample buyout calculation form (Attachment 3) is provided for your use. Please note that if an employee separates with a buyout and subsequently accepts Federal employment within five years of separation, the gross amount of the buyout must be repaid.

To determine your eligibility and for more information:

1. Review "FAQs and Buyout Estimation Worksheet for VSIP" (Attachment 3)
2. Review "Tax Questions on Buyouts" (Attachment 4)

Application Process

To apply, complete the "Application for VSIP" (Attachment 5). Please note a CSRS/FERS Application for Retirement will also be needed. Your servicing Human Resources Managers will contact you to initiate that paperwork once your Application for VSIP is received and eligibility is confirmed.

The window to apply for VERA and/or VSIP is no earlier than Tuesday, October 11, 2011, and closes Monday, October 31, 2011. Please email your signed Application for VSIP as a PDF attachment to RDVSIP@wdc.usda.gov **within the cited timeframes**. Applications submitted before Tuesday, October 11, 2011, or through any other means **WILL NOT** be accepted. **The first 1,966 VSIP applications received and determined to meet the VERA or Optional Retirement eligibility criteria will be approved. The retirement must be effective no later than Saturday, December 3, 2011.**

You will receive an email acknowledging receipt of your Application for VSIP (Buyout) within one business day. Your application for VSIP (Buyout) will be reviewed to ensure all eligibility criteria have been met. You will then be notified of your approval/disapproval via email. If you are approved for the VSIP, you will be required to submit a CSRS/FERS Application for Retirement. Under this VSIP Authority, your CSRS/FERS Application for Retirement must be effective no later than Saturday, December 3, 2011. Once your entire CSRS/FERS Application for Retirement is received, it will be carefully reviewed by your appropriate Human Resources Manager before it is forwarded to the National Finance Center (NFC) for further action. NFC will then forward it to Office of Personnel Management (OPM) for final adjudication.

To Summarize:

- The current VERA and VSIP window will open no earlier than Tuesday, October 11, 2011, and close no later than Monday, October 31, 2011, at 11:59 p.m. EST.
- To determine your eligibility and for more information on VERA, please do the following in order:
 1. Review OPM's VERA Overview: <http://www.opm.gov/employ/vera/vera01.asp>.
 2. Review the "FAQs for VERA" (Attachment 1).
 3. Review "Other Considerations for VERA" (Attachment 2).
 4. Calculate an approximate annuity using the Federal Retirement Benefits (FRB) Calculator at: <https://connecthrusdaauth.gdcii.com/>.
 5. Contact your Human Resources Manager if you have any additional questions.
- To determine your eligibility and for more information on VERA:
 1. Review "FAQs and Buyout Estimation Worksheet for VSIP" (Attachment 3).
 2. Review "Tax Questions on Buyouts" (Attachment 4).
- Employees who elect VERA and/or VSIP must retire no later than Saturday, December 3, 2011.

Attachments

Attachment 1 - "Frequently Asked Questions for VERA"

Attachment 2 - "Other Considerations for VERA"

Attachment 3 - "Frequently Asked Questions and Buyout Estimation Worksheet" for VSIP

Attachment 4 - "Tax Questions on Buyouts"

Attachment 5 - "Application for VSIP (Buyout)"

Sent by Electronic Mail on October 7, 2011, at 4:10 p.m. by Human Resources. No further distribution of this communication will be required.

Frequently Asked Questions Voluntary Early Retirement Authority (VERA)

1. What is VERA?

VERA is commonly referred to as early out retirement, and that's exactly what this authority does. It expands the normal retirement eligibility to allow employees to voluntarily retire, with an immediate annuity, before they would otherwise be eligible. There are some basic eligibility criteria under the law. You must also meet USDA criteria. An early retirement may have an effect on your annuity. The VERA is separate from the **Voluntary Separation Incentive Payment (VSIP)** also called the buyout authority. A VERA or VSIP are not dependent or contingent on the other. An agency can offer one and not the other.

2. Who is eligible for a VERA? If your agency has received approval for a VERA you must also meet some additional requirements. If you are covered by the Civil Service Retirement System (CSRS), you must have served in a position covered by the CSRS for at least 1 year out of the 2 years immediately before retirement. For employees covered by the Federal Employees Retirement System (FERS), this rule does not apply.

You must be at least 50 years of age with 20 years of service or have 25 years of service at any age. At least 5 years must be civilian service, whether you are retiring under CSRS or FERS. In addition, you:

- Must be in a position covered by the VERA granted by the Office of Personnel Management (OPM);
- Must not be serving under a time limited appointment;
- Must have been on the agency's rolls at least 30 days prior to the date of application to OPM for VERA approval;
- Must not have been notified that you will be involuntarily separated for misconduct or unacceptable performance; and
- Your retirement date must be on or before to the VERA expiration date.

3. Are trainees eligible for VERA? Under USDA early out plans, trainees and Presidential Management Fellows are excluded from a VERA. The definition of trainee is based on one that is used in the Reduction-in-Force (RIF) ground rules. :

Presidential Management Fellows and Fire Apprentices, regardless of the appointment authority they are hired under, are considered trainees and excluded from a VERA. Positions that are formally designated developmental (e.g., grades 5-7 entry level) will also be considered as trainees and excluded from a VERA if they meet the criteria under 5 CFR 351.703(e). Two-grade interval positions are generally developmental at the GS-5-7 level but must be reviewed to ensure that formal designation is appropriate. Only those employees that are on formally

designated detailed training career plans will be considered as trainees. Employees in developmental positions that do not have detailed career plans will be eligible for early out (provided they meet all other provisions of the plan). Student Career Experience Program (SCEP's) employees are no longer considered "formal trainees" once they have converted to career appointments.

5 CFR 351.703(e) states that a formally designated trainee or developmental positions must be in a training program that meets all of the following characteristics:

1. The program must be designed to meet the agency's need for the development of skilled personnel;
 2. The training program must have been formally designated and announced to employees and supervisors;
 3. The program must offer planned growth in duties and responsibilities providing advancement in recognized career progression; and
 4. The program must be fully implemented with participants chosen through established selection procedures.
- 4. Can I retire under VERA and also receive a VSIP?** Yes. If you meet the criteria for both, you can retire under VERA and also receive a VSIP if one is being offered by the agency.
- 5. If I'm eligible for VERA, what rights and benefits would I be giving up to voluntarily retire rather than waiting to be separated involuntarily?** Because you would be leaving voluntarily you would be giving up:
- Placement assistance;
 - Selection priority for federal employment under the Career Transition Assistance Program (CTAP) and Interagency Career Transition Assistance Programs (ICTAP). These programs give you selection priority for federal jobs in your area at your same or lower grade, if you apply for them and are well-qualified.
 - Unemployment benefits (depending on your State's rules);
 - If you come back to Federal employment, you would come back as a reemployed annuitant instead of an employee.
- 6. If I retire under VERA and do not take the buyout, can I take a job in another Federal agency?** Yes; however, you will come back as a reemployed annuitant which generally means your annuity is subtracted from the salary you earn in the new position.
- 7. What if my agency offers a VERA but I am on military duty during the authority time limit?** Employees on military duty are treated as though they were still on the job and are not disadvantaged because of their military service. Therefore, if you met the eligibility criteria during the offer period, you would have 30 days following your return to duty with USDA to either accept or reject an offer of VSIP or VERA.

- 8. What does a "time-limited appointment" mean?** An employee on an appointment with a time limit works only until a specified date and then goes off the rolls. The employing agency sets the ending date when it hires the individual and/or when it extends the appointment. For example, temporary and term employees serve with a time limit, so they are not eligible for an incentive payment or early out retirement. Career and career-conditional employees and permanent employees in the excepted service have no time limit so they may be eligible.
- 9. What does "continuous service" mean?** To be eligible for early retirement, you must have been on the rolls of the Department of Agriculture 30 days prior to the request for the VERA, with no breaks. Leave without pay (LWOP), permanent seasonal employment (PSE) off-tour time, and other non-pay status during an appointment are NOT considered breaks in service.
- 10. Leaving federal service under VERA is supposed to be voluntary. What if I am offered a VERA or VSIP but do not choose to leave?"** Buyouts and Early Retirement are for voluntary separations AND coercion is prohibited.
- 11. Does the VERA eligibility change the eligibility for regular optional retirement?** No. If you are under CSRS, you can take regular optional retirement if you are 55 with at least 30 years of service; age 60 with 20 years of service, or age 62 with 5 years of service. If you are under FERS, you can take regular optional retirement if you have reached your minimum retirement age (MRA) with at least 30 years of service; age 60 with 20 years of service, or age 62 with 5 years of service. In addition, an employee under FERS is eligible for an immediate annuity if he/she has 10 years of service and has reached the MRA. (Under this eligibility there is a 5 percent reduction for each year the employee is under age 62.) The MRA chart can be found at the following link: <http://www.opm.gov/retire/html/faqs/faq11.asp>. An employee under CSRS must meet the 1-out-of-last-2-years coverage requirement and all employees must have at least 5 years of civilian service.
- 12. What is the difference between VERA and discontinued service retirement (DSR)?** The basic difference is simple. VERA is a voluntary separation. DSR is an involuntary separation. The differences between VERA and DSR benefits may seem subtle, but might be very important to you. It depends on what your personal plans and needs are. If there is a possibility that you will want to come back to work for any Federal agency, you should seek more detailed information from the Human Resources Operations Branch BEFORE you accept a VERA or VSIP offer!
- Generally, if your unique position is being abolished, or you refuse a directed reassignment to a position outside of your commuting area, or to a position that is more than two grade intervals below your current grade, or receive a letter of separation from the agency in a RIF, you would be eligible for an immediate annuity retirement under DSR rules if you meet the age and length of service requirements. The age and service requirements for DSR are the same as those for VERA. The key differences come into play when/if you ever return to work for the Federal government, e.g., as a VERA retiree, you would be a reemployed annuitant with the amount of your pay will be offset by the amount of your annuity. If you were covered under CSRS and you separated under a DSR, you would not

be considered an reemployed annuitant because your annuity will stop, so there would be no offset to pay. This does not apply to those covered under FERS.

- 13. I haven't been enrolled in the federal employees health benefits (FEHB) program for a full 5-year period and I accept a VERA, do I lose my FEHB?** No, OPM has granted pre-approved waivers to employees who have been covered under the FEHB Program continuously since the beginning date of the agency's approved VERA and retire under the VERA.
- 14. I haven't been enrolled in the federal employees' life insurance (FGLI) program for a full 5-year period. Do I lose my life insurance when I retire under VERA?** Most likely, yes, but you could be eligible under certain circumstances or you might be able to convert your coverage. You should ask your benefits specialist what your options will be.
- 15. If I take early retirement is my annuity reduced?** CSRS employees who retire under the voluntary early retirement authority will have a reduction in their annuity of 2 percent per year for each year they are under age 55. (The reduction is 1/6 of 1 percent for each full month.) This is a permanent reduction in annuity.
- Employees with only FERS service will not have their annuities reduced under voluntary early retirement. FERS employees retiring under the MRA+10 provision are subject to a reduction of 5% for each year under age 62.
 - Under DSR or early retirement, FERS employees would receive their FERS supplement if under age 62 once they reach their MRA.
 - Employees with both CSRS and FERS service will have a reduction only for the CSRS portion of their annuity if under age 55.
 - Special rules apply to the calculation of annuities of employees who have part-time service after 1986.
- 16. How do I know if I have enough time in service to meet the requirements to retire?** You can check your yearly statement of benefits from NFC; or on NFC's Employee Personal Page (EPP); you should still check with your retirement specialist BEFORE you make a decision on accepting a VERA. They can provide you with a retirement calculation and verify that your retirement SCD is correct. Different types of appointments; types of federal service; or if you owe a deposit/redeposit can make a difference in your SCD. The rules are complicated and different depending on the retirement system you're covered under. **Don't just assume your service time is creditable.**
- 17. Where can I go to get an estimate of my annuity?** You need to contact your servicing personnel office.

- 18. Where can I get more information on retirement benefits?** Click here <http://www.opm.gov/retire/index.aspx>. If you have questions or need additional information contact your agency Human Resources Benefits Division.
- 19. What is the effective date of my retirement/separation?** You may select the date of your retirement/separation, but it must be effective after the date of the VERA authorization and no later than the date the VERA expires.
- 20. Can I delay the date of my retirement?** No. An employee must retire by the date established for the VERA/VSIP window.
- 21. Can my retirement date be delayed by management?** Management may extend your separation date when there is a documented need to retain your skills and knowledge.
- 22. Can Veterans Preference be applied to be eligible for a VERA?** No. There is no preference for veterans under the VERA authority.

OTHER CONSIDERATIONS FOR VERA EARLY RETIREMENT

Plan for a possible early out retirement offer and be prepared to act quickly if you are offered one. There is never a bad time to begin planning for the future and often employees do not have large amounts of time to consider an offer. Because of the fundamental changes in an employee's life that voluntary separations present, and because employees may not have large amounts of time to make decisions when offers are made, **IF YOU ARE CONSIDERING REQUESTING AN EARLY OUT RETIREMENT, YOU SHOULD TAKE THE FOLLOWING STEPS NOW TO BE PREPARED FOR ANY OFFERS THAT MAY BE MADE:**

☛ REVIEW YOUR DETAILED SERVICE HISTORY INFORMATION TO ENSURE THAT ALL PERIODS OF YOUR FEDERAL SERVICE ARE DOCUMENTED

Having all of this documented is critical because your annuity amount will be computed based on this information. Verify that all your military and civilian service, along with salary for any temporary service, has been documented. Your servicing Human Resources retirement counselors can assist you in understanding your annuity. Be careful to determine what impact retirement or separation will have on your insurance coverage. Carefully consider whether you can live on a reduced income.

☛ IF YOU SERVED IN THE MILITARY AFTER 1956 AND HAVE NOT ALREADY PAID A DEPOSIT FOR YOUR MILITARY TIME, SEND FOR YOUR PAY RECORDS

It may be in your best interest to pay a retirement contribution to cover any post-1956 military service. You must do this before you retire. Start the process by requesting your military pay records from the military finance center for your branch of service. Begin the process immediately. It is not unusual for the processing of these changes to take as long as eight weeks. Contact your servicing personnel office for more information on Post 56 and the process to make the payment.

☛ DISCUSS YOUR PLANS WITH YOUR SPOUSE AND FAMILY

A retirement represents a major change in your way of life. Your spouse and family should be involved in this life-changing decision. Retirement means more free time at home, and often, lower earnings. Discuss these issues with your family and allow them to take an active role in your planning. The choice to leave your job will affect them as much as it affects you.

☛ CONSIDER MEETING WITH A PERSONAL FINANCIAL ADVISOR

Because retirement means smaller paychecks, it may be useful to speak with a personal advisor or accountant. These individuals can help you figure out what tax advantages may be open to you, how much your income will be, what debts you can reduce, and what your standard of living would be like with your annuity.

Immediate and thorough preparation and planning NOW will make your decision much easier when an early out offer is made.

Frequently Asked Questions and Buyout Estimation Worksheet Voluntary Separation Incentive Payments (VSIP)

General Information:

1. What is a VSIP? A Voluntary Separation Incentive Payment (VSIP) is commonly called a buyout. The buyout program is not a retirement program. This authority allows the agency to offer a lump sum incentive payment to eligible employees who voluntarily leave the workforce, so that the workforce may be reduced in size or reshaped. You don't have to be eligible to retire to be offered and receive a lump sum buyout.

2. When is a buyout authorized? The authority for federal agencies to offer buyouts was included in the legislation that created the Department of Homeland Security (Public Law 107-296, the Homeland Security Act of 2002). Agencies must request approval from the Office of Personnel Management (OPM). The Office of Management and Budget (OMB) and OPM review the plan and decide whether to approve the request.

3. Don't I have a right to a VSIP? Agencies ARE NOT REQUIRED to use or pay incentives. Incentives ARE NOT an employee right. The incentives are a management tool to help the agency reduce the workforce without having to run costly and disruptive reduction in force (RIF).

Note: In order for you to make an informed choice regarding VSIP and Voluntary Early Retirement Authority ((VERA) also called an early out), it is also necessary to understand options you may have associated with involuntary actions such as Discontinued Service Retirement (DSR), etc. This is discussed in questions below.

4. What rights and benefits would I be giving up to voluntarily take a VSIP to retire rather than waiting to be separated involuntarily? Because you would be leaving voluntarily, you would be giving up:

- Placement assistance;
- Selection priority for federal employment under the Career Transition Assistant Program (CTAP) and Interagency Career Transition Assistance Program (ICTAP). These programs give you selection priority for federal jobs in your area at your same or lower grade, if you apply for them and are well-qualified;
- Employment in the Federal Government within next 5 years (without paying back the full gross amount of the incentive payment);
- Full amount of severance pay, if eligible (e.g., you are not eligible for severance pay if you are eligible to retire);
- Unemployment benefits (depending on your State's rules); and
- If you come back to Federal employment, you would come back as a reemployed annuitant – (under CSRS, not FERS) which would require an offset to your pay by the annuity you will continue to receive.

Eligibilities:

5. Who could be offered a VSIP? There are basic eligibility requirements under the law for buyouts, and there are additional eligibility criteria established by the agency in the buyout plan and approved by OPM. The buyout plan describes the general categories of employees that may be

offered a VSIP by organizational unit, geographic location, occupational category, grade level, and other pertinent factors, such as skills or retirement eligibility. To receive a buyout an employee must meet the criteria and accept the conditions of the specific buyout window that is offered, and must voluntarily retire (early out or optional) during the time period covered by the buyout plan.

Employees are not eligible to receive a buyout if any of the following apply:

- They are reemployed annuitants,
- They are eligible for a disability retirement,
- They are serving under an appointment with a time limitation,
- They have not been employed by the Federal government for three (3) continuous years,
- They are in receipt of a decision notice of involuntary separation for misconduct or unacceptable performance,
- They have received a buyout before,
- They are covered by statutory reemployment rights from another organization,
- They have received a recruitment or relocation bonus within the 24-month period preceding separation,
- They have received a retention bonus within the 12-month period preceding separation,
- They have received a student loan repayment benefit during the 36-month period preceding separation, or
- They are in a position that is not covered by the VSIP or excluded by the agency's buyout plan.

6. What does an "appointment without time limitation" mean? An employee on an appointment with a time limit works only until a specified date and then goes off the rolls. The employing agency sets the ending dates when it hires the individual and/or when it extends the appointment. For example, temporary and term employees serve with a time limit, so they are not eligible for an incentive payment. Career and career-conditional employees and permanent employees in the excepted service have no time limit so they are eligible.

7. What does "continuous service" mean? To be eligible for a VSIP, employees must have been continuously employed by the Federal government for 3 years without a break in service. Leave without pay (LWOP), permanent seasonal employment (PSE) off-tour time, and other non-pay status during an appointment are NOT considered breaks in service.

8. Can Veterans Preference be applied to be eligible for a VSIP? No. There is no preference for veterans under the VSIP authority.

9. If I receive a buyout payment, can I take a job in another Federal agency? If you retired with a buyout payment under this law, you must repay the entire amount (including taxes paid), prior to your first day of employment, if you take a job with any agency of the Federal Government within 5 years of your separation date. This repayment requirement covers any kind of employment (permanent, temporary, expert, consultant, reemployed annuitant), as well as direct or personal services contracts. In very limited situations, the head of the employing agency may request a waiver of this repayment from OPM.

10. If I'm eligible for a buyout, how much would my incentive be? Does everyone get \$25,000? The amount of each employee's incentive will vary depending on his/her pay rate, years of civilian service, and age. The MAXIMUM gross amount for each buyout is \$25,000, and not everyone will be eligible for the maximum. The net amount you receive will be EVEN LOWER after the appropriate taxes, Social Security, Medicare, etc., are deducted by the payroll office. (An

average estimated net is about \$16,200). The basic formula for calculating your incentive is the same formula used for calculating severance pay. We have included a sample and blank worksheet below to help you ESTIMATE your buyout.

The following are examples of employees who would receive the maximum gross buyout amount of \$25,000:

- Employee making over \$52,000 a year, have at least 15 years of civilian service, and are at least 43 years old;
- Employee making at least \$40,000 a year, have at least 20 years of civilian service, and are at least 41 years old; and
- Employee making over \$82,000 a year, have at least 13 years of civilian service at any age.

11. What if I am offered a buyout but do not choose to leave? Incentives are for voluntary separations, and *coercion is prohibited*; however, the agency can require an employee who has committed to a buyout to follow through on that commitment.

12. I retired from the military and am now a Federal employee. May I apply for a buyout? Yes, if you are otherwise eligible. The Agency will compute the incentive payment only on the basis of your civilian service and any creditable military service which interrupted civilian service and which conveyed restoration rights.

VSIP Payment:

13. What is the basic formula for calculating a voluntary separation incentive? Using the severance pay calculation procedures, the amount of severance pay would be 1 week's basic pay for each of the first 10 years of your civilian service, plus 2 weeks' basic pay for each year over 10 years. An age adjustment allowance of 10% is added for each year you are over 40. (No credit is given for military service unless the service interrupted otherwise creditable civilian service and the employee returned to civilian service through the exercise of a legal restoration right.) Total severance pay may not exceed one year's pay at the rate the employee is receiving immediately before separation. The pay rate used in the calculation includes any locality and/or special pay rate you are receiving. (For the purpose of calculating a buyout payment, severance pay is figured based on the amount of your civilian service as if you would get it; you don't have to actually be eligible for severance pay.)

14. When will I receive my buyout payment? Will it be all at once (lump sum) or monthly?
Is it taxable? Generally, you should receive your buyout check within a couple of weeks of your final separation paycheck. The agency will send you the incentive payment as soon as possible after the date of your separation but cannot guarantee a specific date. First, the agency must resolve any leave errors, salary offsets, and employee debts to the Government. Your buyout is also subject to garnishment for alimony and child support. The incentive payment is taxable. You will receive it as a lump sum (less Federal income tax withholding, applicable State and local taxes, and FICA/Medicare taxes).

Tax Information:

15. May I roll my buyout over into an individual retirement account or another form of tax shelter? No. The buyout is considered fully taxable income and cannot be rolled over into retirement accounts.

16. Are federal taxes withheld at normal tax withholding rates or a flat 25% rate? Taxes for buyout are withheld at a flat 25% rate. Withholding taxes for the payment of your lump sum annual leave can be withheld at a flat 27% rate or at your normal tax-withholding rate. You will need to contact your Human Resources Operations Branch if you want the flat 27% rate.

Retirement:

17. Can I retire under DSR and also receive a buyout lump sum payment too? No. DSR is based on an involuntary separation. Buyouts are paid to employees who leave voluntarily.

18. I am eligible for FERS retirement (Minimum Retirement Age (MRA) +10); however, I don't want to retire. If I am involuntarily separated, can I receive severance pay? No. You are not eligible for severance pay if you are eligible for retirement.

19. May I take a buyout and apply for disability retirement later? Employees may file for disability up to one year after separation. However, *if you have received a buyout and are later found to be eligible for disability retirement, you are then responsible for repaying the entire amount of the buyout* to the agency that paid the buyout to you. This is because a disability retirement is retroactive to the date of separation, and the buyout law excludes employees having a disability on the basis of which such employee is or would be eligible for disability retirement.

Military Duty:

21. What if I meet the eligibility criteria for buyout (VSIP) but I am on military duty during the offer period? Employees on military duty are treated as though they were still on the job and are not disadvantaged because of their military service. Therefore, if you met the eligibility criteria during the offer period, you would have 30 days following your return to duty with the agency to either accept or reject an offer of buyout and/or early out.

Health Benefits:

22. I haven't been enrolled in the federal employees health benefits (FEHB) program for a full 5-year period. Do I lose my health insurance? There are two different situations.

- For employees who resign (those who are not eligible for immediate annuity retirement), temporary coverage continues for up to 31 days after the enrollment terminates, with conversion privileges. You would also be eligible for temporary continuation of coverage, which allows you to continue your coverage for up to 18 months. You must pay 102% of the premiums (the employee's share, plus the Government's share, plus 2 percent of the total).
- Employees are able to continue their health insurance into retirement, even if they have not been enrolled for a full 5-year period prior to retirement, under the following pre-approved waiver guidelines from OPM:

OPM's current waiver policy provides pre-approved waivers for any employee who has been covered under the FEHB program *continuously since the beginning date of an agency's latest statutory buyout and/or early out authority*. To be eligible for a pre-approved waiver, employees must:

- Retire during the agency statutory buyout period; and

- Receive a buyout under the agency statutory buyout authority; or
- Take early optional retirement as a result of early-out authority; or

If you meet these requirements, you do not need to write a letter requesting a waiver. Instead, your agency must attach a memorandum to your retirement application stating that you meet the requirements for a pre-approved waiver by OPM as set forth in revised Benefits Administration Letter (BAL) 04-208. The memorandum should provide the number of the Public Law granting your agency VSIP authority and the beginning and the ending dates of your agency's statutory buyout period.

BUYOUT COMPUTATION WORKSHEETS

The following pages include a sample buyout calculation and a blank form for use in *estimating* the amount of your buyout. The actual calculation formula is somewhat more complicated and technical. The samples are intended to allow employees to figure the *approximate* amount of the buyout they may receive. The agency is not responsible for the accuracy of the results that this worksheet may give you.

EXAMPLE OF BUYOUT ESTIMATION WORKSHEET

line 1. **Salary at time of separation** (GS-11/05) = \$70,794

line 2. **Weekly Rate** (line 1 divided by 52) = \$1,361.42

line 3. **Years of Service** (see A and B below) 18

 A. If your length of service is LESS THAN 10 years, enter your length of service on line 3a.

 B. If your length of service is MORE THAN 10 years:

 1) enter your length of service: 18

 2) subtract 10 from your length of service: -10

8

 3) multiply the result, in this case, 8, by 2: 16

+10

 4) add 10 to the amount listed in 3). 26

 5) enter this total on line 3a. This is the factor for your adjusted years of service.

line 3a. **Adjusted Years of Service** 26

line 4. **Basic Severance Pay** (multiply amount on line 2 by number on line 3a--Adjusted Years of Service) = \$35,396.92

line 5. **Age Adjustment Factor** (if your age is above 40, look your age up on the "AGE TABLE AND FACTORS" chart attached. Enter the "factor" number shown.)
 Age = 39 years. Factor = 1.00

Line 6. **Estimated Severance Pay Amount**
 Multiply line 4 by line 5 factor (27,736 X 1) = \$35,396.92

 6a. If line 6 exceeds line 1, enter amount on line 1.
 The estimated amount of severance pay will be = \$35,396.92

Line 7. **Estimated Buyout Amount**

 If line 6a exceeds \$25,000 (the maximum amount set by the agency head), enter \$25,000

 OR

 If line 6a does not exceed \$25,000, but is more than line 1, enter amount on line 1.

YOUR BUYOUT AMOUNT: \$25,000

BUYOUT ESTIMATION WORKSHEET

Line 1. **Salary at time of separation (GS-_____) = \$_____**

Line 2. **Weekly Rate** (line 1 divided by 52) = \$ _____

Line 3. **Years of Service** (see A and B below) _____

A. If your length of service is LESS THAN 10 years, enter your length of service on line 3a.

B. If your length of service is MORE THAN 10 years:

1) enter your length of service: _____

2) subtract 10 from your length of service: -10

3) multiply the result by 2: _____

+10

4) add 10 to the amount listed in 3).

5) enter this total on line 3a. This is the factor for your adjusted years of service.

line 3a. **Adjusted Years of Service** _____

line 4. **Basic Severance Pay** (multiply amount on line 2 by number on line 3a--Adjusted Years of Service) = _____

line 5. **Age Adjustment Factor** (if your age is above 40, look your age up on the "AGE TABLE AND FACTORS" chart attached. Enter the "factor" number shown.)

Age = _____ years. Factor = _____.

Line 6. **Estimated Severance Pay Amount**
Multiply line 4 by line 5 factor \$ _____

6a. Enter the LESSOR of line 6 or line 1.
The estimated amount of severance pay will be \$_____

Line 7. **Estimated Buyout Amount**
If line 6a exceeds \$25,000 (the maximum amount set by the agency head), enter \$25,000

OR

If line 6a does not exceed \$25,000, but is more than line 1, enter amount on line 1.

YOUR ESTIMATED BUYOUT AMOUNT: \$

AGE TABLE AND FACTORS

Yrs.	Mos.	Factor	Yrs.	Mos.	Factor	Yrs.	Mos.	Factor
40	3-5	1.025	48	4-8	1.850	56	9-11	2.675
40	6-8	1.050	48	9-11	1.875	57	0-2	2.700
40	9-11	1.075	49	0-2	1.900	57	3-5	2.725
41	0-2	1.100	49	3-5	1.925	57	6-8	2.750
41	3-5	1.125	49	6-8	1.950	57	9-11	2.775
41	6-8	1.150	49	9-11	1.975	58	0-2	2.800
41	9-11	1.175	50	0-2	2.000	58	3-5	2.825
42	0-2	1.200	50	3-5	2.025	58	6-8	2.850
42	3-5	1.225	50	6-8	2.050	58	9-11	2.875
42	6-8	1.250	50	9-11	2.075	59	0-2	2.900
42	9-11	1.275	51	0-2	2.100	59	3-5	2.925
43	0-2	1.300	51	3-5	2.125	59	6-8	2.950
43	3-5	1.325	51	6-8	2.150	59	9-11	2.975
43	6-8	1.350	51	9-11	2.175	60	0-2	3.000
43	9-11	1.375	52	0-2	2.200	60	3-5	3.025
44	0-2	1.400	52	3-5	2.225	60	6-8	3.050
44	3-5	1.425	52	6-8	2.250	60	9-11	3.075
44	6-8	1.450	52	9-11	2.275	61	0-2	3.100
44	9-11	1.475	53	0-2	2.300	61	3-5	3.125
45	0-2	1.500	53	3-5	2.325	61	6-8	3.150
45	3-5	1.525	53	6-8	2.350	61	9-11	3.175
45	6-8	1.550	53	9-11	2.375	62	0-2	3.200
45	9-11	1.575	54	0-2	2.400	62	3-5	3.225
46	0-2	1.600	54	3-5	2.425	62	6-8	3.250
46	3-5	1.625	54	6-8	2.450	62	9-11	3.275
46	6-8	1.650	54	9-11	2.475	63	0-2	3.300
46	9-11	1.675	55	0-2	2.500	63	3-5	3.325
47	0-2	1.700	55	3-5	2.525	63	6-8	3.350
47	3-5	1.725	55	6-8	2.550	63	9-11	3.375
47	6-8	1.750	55	9-11	2.575	64	0-2	3.400
47	9-11	1.775	56	0-2	2.600	64	3-5	3.425
48	0-2	1.800	56	3-5	2.625	64	6-8	3.450
48	3-5	1.825	56	6-8	2.650	64	9-11	3.475

TAX QUESTIONS ON BUYOUTS (VSIP)

Many, if not most, employees have questions regarding the impact a buyout has on their taxes. OPM has worked in cooperation with the Internal Revenue Service to provide the following general information on taxes.

It is critical to note that information provided here is general in nature and in no way is intended to apply to every employee's situation. Employees are urged to seek the assistance of a trained and experienced tax advisor or personal financial counselor on any matters related to the employee's income, finances, taxes, or retirement.

1. Is the Buyout taxable income or a special one-time payment with different tax consequences? Buyouts are included as an item of gross income and are considered as fully taxable income under IRS tax laws. Section 451(a) of the Internal Revenue Code provides that the amount of any item of gross income must be included in the gross income for the taxable year in which it is received by the taxpayer. Thus, a buyout is taxable in the year of payment, regardless of the year in which the buyout is authorized, unless the employee is required to repay the buyout in the same tax year. The buyout is not a special one-time payment with different tax consequences.

2. What happens to the taxes I paid if I have to repay the entire amount of the buyout? The employee is entitled to recover taxes withheld or paid based on the receipt of a buyout.

Do I file an amended tax return? Recovering taxes paid on a repaid buyout depends on when repayment occurs. Below are two examples. In either case, the employee is not entitled to file an amended return for that tax year because of the concept of annual accounting.

"I got a buyout in February 2006 and returned to work in June 2006."

If an employee receives a buyout and is required to repay the buyout in the SAME tax year, the buyout is not included in the employee's wages for federal income tax withholding purposes. It is not reflected on Form W-2 as "wages, tips, other compensation," as "social security wages," or as "Medicare wages." Any income tax and FICA employee tax withheld on the buyout should be repaid or credited to the employee by the agency paying the buyout.

"I got a buyout in November 2006 and was hired by another agency in April 2007."

In this case, the employee was required by law to repay the entire amount of the buyout to the agency that paid it and repayment must be made prior to beginning the second job. The employee may take a loss deduction (under section 165 of the Code) for the amount repaid in the 2007 tax year. The employee MAY NOT file an amended tax return for 2006 because the employee received the income in 2006 and was required to pay taxes on it then as earned wages.

3. How much will my buyout be after taxes?

Tax deductions from buyout payments - Voluntary separation incentive payments are considered supplemental wages and are treated similarly to cash awards, bonuses, and allowances for withholding purposes. Most agencies automatically withhold the following taxes from supplemental payments:

All Employees

Federal Income Tax	NFC withholds a flat 25% of the buyout payment for Federal income tax. In some cases, this may be higher than your normal withholding rate and you may want to reexamine your tax planning for withholding purposes.
State Income Tax (when applicable)	Agencies make deductions based on a specified rate for supplemental payments or the applicable standard rate.
Local Income Tax (when applicable)	Agencies make deductions based on a specified rate for supplemental payments or the applicable standard rate.

CSRS Employees

Medicare	1.45%
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FERS Employees and CSRS Offset Employees

OASDI	(Old Age Survivor Disability Insurance) 4.2% subject to annual tax limitations
Medicare	1.45%

OTHER DEDUCTIONS

Where applicable, agencies may also make deductions for certain types of indebtedness. Following are some circumstances in which deductions for debts may be made:

- The balance of any commercial garnishment plus supplemental fees or court-ordered interest related to the garnishment.
- The balance of any child support/alimony arrearage when included in the court order.
- The balance of any debt owed to the agency.

EXAMPLES:

CSRS EMPLOYEE

Buyout Amount		\$25,000.00
Payroll Deductions		
Federal Tax (25%)	\$6,250.00	
State Tax (4%)	1,000.00	
(when applicable)		
Local Tax (1%)	250.00	
(when applicable)		
Medicare (1.45%)	362.50	
Total Deductions	7,862.50	
Payment After Deductions		\$17,137.50

FERS AND CSRS OFFSET EMPLOYEES

Buyout Amount		\$25,000.00
Payroll Deductions		
Federal Tax (25%)	\$ 6,250.00	
State Tax (4%)	1,000.00	
(when applicable)		
Local Tax (1%)	250.00	
(when applicable)		
Medicare (1.45%)	362.50	
OASDI (4.2%)	1,050.00	
Total Deductions	8,912.50	
Payment After Deductions		\$16,087.50

**E-MAIL COMPLETED FORM TO HUMAN RESOURCES AT RDVSIP@wdc.usda.gov
NO LATER THAN MONDAY, OCTOBER 31, 2011 at 11:59 p.m. ET**

APPLICATION FOR VSIP (BUYOUT)

(See Page 3 for instructions on filling out and submitting this application)

Employee Name: (Please Print)	Phone Numbers:
	Work:
	Cell:
	Email Address (example: bsmith@usda.gov)
Position Identification:	Unit Name
Title, Pay Plan, Series, Grade:	
Duty Station:	
Type of Application:	Proposed Separation Date:
<input type="checkbox"/> Optional Retirement with Buyout <input type="checkbox"/> Early Retirement with Buyout	Employee's preferred date: _____
<p><u>Statement of Understanding If Applying for Buyout:</u></p> <p>The separation incentive will be computed using applicable severance pay rules and will be either the lower of \$25,000 or an amount using the severance pay computation based on my salary, age, years of civilian service, and work schedule if less than full time.</p> <p>My decision to retire is entirely voluntary and has not been coerced.</p> <p>I understand that my eligibility for a separation incentive payment depends on meeting the requirements established for Early out/Buyout Plan and that I will be informed of the approval or disapproval of this request. I further understand that this statement serves as my commitment to retire if the separation incentive is approved.</p> <p>By accepting this incentive payment, I understand that I will be responsible for repaying the entire incentive payment to my agency if I am reemployed anywhere in the Federal Government either in a temporary or permanent status or under a direct or personal services contract within a period of 5 years following the effective date of my separation.</p> <p><u>Statement of Understanding If Applying for Optional Retirement:</u></p> <p>My decision to retire early is entirely voluntary and has not been coerced.</p> <p>By signing this document you are acknowledging you have read and understand the terms and conditions of this application and have notified your supervisor of your intent to apply.</p>	
Employee Signature	Date of Application:

Applicant Name: _____

FOR HR USE ONLY – VERIFICATION	
1. Employee meets eligibility requirements for Buyout: ___ No ___ Yes Currently ___ Yes on _____ (within window for effective dates)	
2. Employee meets eligibility requirements for Early out Retirement: ___ No ___ Yes Currently ___ Yes on _____ (within window for effective dates)	
3. Employee meets eligibility requirements for Optional Retirement: ___ No ___ Yes Currently ___ Yes on _____ (within window for effective dates)	
JUSTIFICATION	PROJECTED COST
<input type="checkbox"/> Position affected by elimination or reduction of funding for the Program/Agency.	Amount of Buyout: _____ (The amount of buyout is taken from the buyout estimation worksheet.) Lump Sum AL: _____ (Calculate projected annual leave balance at time of separation times employee's hourly rate of pay with locality).
HR REVIEW AND ADMINISTRATIVE PROCESSING	
Name (Please print) and Signature of HR Officer (certifying the employee meets all the eligibility requirements under the plan)	Date
HR Officer Phone Number	E-Mail Address
HR Reviewer Name (Please print) and Signature	E-Mail Address
HR Reviewer Phone Number	

Instructions for Completing and Routing VSIP Application

1. Employee completes all items on Page 1, signs and dates application.
2. Employee sends the completed application to RDVISIP@WDC.USDA.GOV no later than October 31, 2011.
3. National HR Office reviews and certifies the application for eligibility.
4. If approved, National HR Office will notify the employee, HRM, State Director, or Administrator for final processing.