

## 2016 Frequently Asked Questions (FAQs)

### VOLUNTARY SEPARATION INCENTIVE PAYMENT (VSIP)

- 1. What is VSIP?** 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, you may be eligible to receive a buyout if you resign.
- 2. Who is eligible for 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 under our current authority 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) or voluntarily resign 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 NOAA 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.
- 3. 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.

4. **What does “continuous service” mean?** To be eligible for a VSIP, employees must have been continuously employed by the Executive Branch of 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.
5. **When is a buyout authorized?** Agencies must request approval from OPM. The Office of Management and Budget (OMB) and OPM review the plan and decide whether to approve the request.
6. **Do 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 or restructure the workforce

*Note: In order for you to make an informed choice regarding VSIP and VERA, 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.*

7. **If I receive a buyout payment, can I take a job in another Federal agency?** If you retire or resign 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.
8. **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, has at least 15 years of civilian service, and is at least 43 years old;
- Employee making at least \$40,000 a year, has at least 20 years of civilian service, and is at least 41 years old; and
- Employee making over \$82,000 a year, has at least 13 years of civilian service at any age.

9. **What if I am offered a buyout but do not choose to leave?** Incentives are for voluntary separations, and *coercion is prohibited*.
10. **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. Consult your Retirement Specialist.
11. **What is the basic formula for calculating a voluntary separation incentive?**  
See Example of Buyout Estimation Worksheet
12. **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. Your incentive payment will be sent as soon as possible after the date of your separation but a specific date cannot be guaranteed. First, any leave errors, salary offsets, and employee debts to the Government will be resolved. 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). It is separate from your Lump Sum Annual Leave payment.
13. **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.
14. **Are federal taxes withheld at normal tax withholding rates or a flat rate?** Taxes for buyout are withheld at a flat rate. Withholding taxes for the payment of your lump sum annual leave can be withheld at a flat rate or at your normal tax withholding rate. The lump sum tax withholding rate is included in the Separation Package.
15. **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 after 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.
16. **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 are still on the job and are not disadvantaged because of their military service. Therefore, if you meet 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.

**17. 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.

- 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 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
- Take a DSR based on an involuntary separation due to reduction in force, directed reassignment, reclassification to a lower grade, or abolishment of position.

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 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.

**18. How do I calculate the amount of my buyout offer?** 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.