UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Notice PM-2103

For: FAS, RMA, and FSA Employees

Federal Employees' Group Life Insurance (FEGLI) Updates

Approved by: Acting Deputy Administrator, Management

1 Overview

A Purpose

This notice informs employees of recent changes in FEGLI law concerning:

- court orders and the order of precedence (Benefits Administration Letter 98-205)
- covering foster children under Option C life insurance (Benefits Administration Letter 98-209)
- direct payment of premiums (Benefits Administration Letter 99-202)
- new premiums and age bands (Benefits Administration Letter 99-204)
- increased amount of Option C and election of unreduced Options B and C at retirement (Benefits Administration Letter 99-203)
- elimination of maximums on Basic and Option B.

B Background

These changes are the result of the enactment of Pub. L.:

- 105-205 on July 22, 1998
- 105-311, Federal Employee Life Insurance Improvement Act, on October 30, 1998.

Continued on the next page

Disposal Date	Distribution
January 1, 2000	All FAS, RMA, and FSA employees; State Offices relay to County Offices

1 Overview (Continued)

C National Office Contact

National Office employees shall contact the appropriate office according to this table for information.

IF employee needs to...	THEN employee shall do 1 of the following...
submit court order or FFAS-19 (Exhibit 1)	• place in HRD mailbox in Room 0419-South • deliver to Room 5700, L Street • contact the Services Unit on 202-418-9135.
obtain policy information or guidance	• go to Room 5700, L Street • contact the Performance Management, Benefits, and Awards Branch (PMBAB) at 202-418-9021 or 202-418-9039, TDD 202-418-9116.

D Field Offices Contact

Field Office employees shall contact the appropriate office, according to this table, for additional information.

Location	Contact
• KCMO • KCCO • APFO • RMA Kansas City Offices • St. Louis	Servicing Processing Technician, Processing Section, Personnel Division, KCMO
RMA RSO's and Compliance Field Offices	HRD/PMBAB at 202-418-9021 or 202-418-9039, TDD 202-418-9116
FAS Overseas employees	HRD/PMBAB at 202-418-9021 or 202-418-9039, TDD 202-418-9116
State Office	State Office, Administrative Division
County Office	CED

2 Court Orders

A Background

The FEGLI law sets an order of precedence for payment of benefits following the death of an insured employee, annuitant, or compensationer (5 U.S.C. § 8705). First in the order of precedence is a designated beneficiary. Until now, there has been no statutory limitation on changing designations.

When a court order required an individual insured under the FEGLI Program to name children or a former spouse as the beneficiary, the individual may not have complied or may have complied and then changed the designation at a later date. This action, while seemingly in violation of the court order, did not violate the FEGLI law.

B Provisions of the New Law

Pub. L. 105-205 requires benefits to be paid according to the terms of a court decree of divorce, annulment, or legal separation, or the terms of a court order or court-approved property settlement agreement relating to such a court decree, regardless of whether the insured individual actually completes a designation complying with the court order.

The court order supersedes any prior designation of beneficiary made by the insured individual. If such a court order is in effect, the insured individual cannot change his or her designation, unless the person or persons named in the court order agree in writing or unless the court order is subsequently modified.

Pub. L. 105-205 also allows a court order to direct the insured individual to make an irrevocable assignment to the person or persons named in the court order. However, until the insured properly completes an assignment form, the assignment does not occur.

Continued on the next page

2 Court Orders (Continued)

C Submitting Court Orders

Submit court orders according to this table.

IF...	THEN court order shall be sent to...
an active employee	employing agency.
an annuitant	OPM.
a compensationer	either of the following: • employing agency during the first 12 months of nonpay status • OPM after separation or completion of 12 months in nonpay status.

To avoid the possibility of fraud, submit a certified copy of the court order.

Anyone can submit the court order, for example the insured individual, ex-spouse, ex-spouse's attorney, etc.

The court order must be received by the appropriate office, according to subparagraph 1 C or D, on or after July 22, 1998, and before the insured individual's death.

D Previously Filed Court Orders

Court orders that were submitted before the enactment of Pub. L. 105-205 are **not** valid for this purpose. To be valid, a court order must be received no earlier than July 22, 1998.

3 Foster Children

A Background

Pub. L. 105-311 made numerous changes to the FEGLI Program.

These changes include:

- covering foster children under Option C
- eliminating the maximums under Basic and Option B
- electing unreduced Option B and Option C at retirement
- the portability of Option B
- direct payment of premiums
- the availability of increased coverage under Option C.

The new law also requires OPM to conduct an open enrollment period for FEGLI.

B New FEGLI Provision

Before the enactment of Pub. L. 105-311, foster children were not eligible as family members under Option C coverage. The new law changes the definition of "family member" to include foster children, if they live with the employee, or annuitant in a regular parent-child relationship.

C Effective Date

The change was effective October 30, 1998.

Continued on the next page

3 Foster Children (Continued)

D Requirements for a Foster Child's Eligibility

The requirements for a foster child to be eligible for coverage under Option C are the same as those for a foster child to be covered under the Federal Employees Health Benefits (FEHB) Program.

These requirements are that the:

- child must be unmarried and under the age of 22

  Note: If the child is over age 22, the child must be incapable of self-support because of a disabling condition that started before age 22.

- child must be living with the employee
- parent-child relationship, as defined in subparagraph F, must be with the employee, not the biological parent
- employee must be the primary source of financial support for the child
- employee must expect to raise the child to adulthood.

A child placed in an employee's home by a welfare or social service agency under an agreement where the agency retains control of the child or pays for maintenance does not qualify as a foster child.

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3 Foster Children (Continued)

E
Definition of Parent-Child Relationship

A "regular parent-child relationship" means that the employee is exercising parental authority, responsibility, and control over the child by caring for, supporting, disciplining, and guiding the child, including making decisions about the child's education and health care.

Note: There is no prohibition against a foster child's biological parent living in the employee's home or providing some financial support for the child. However, the parent-child relationship must be with the employee, and the **primary** source of financial support must be from the employee.

F
Eligibility of Grandchildren

Grandchildren are not eligible family members **unless** the grandchild meets the requirements for and qualifies as a foster child. To qualify as a foster child, the:

- grandchild must be living with the employee
- employee must be the primary source of financial support for the grandchild
- parent-child relationship must be with the employee, not with the biological parent
- employee must expect to raise the grandchild to adulthood.

G
Requesting Coverage for a Foster Child

To request coverage for a foster child, the employee must sign FFAS-19 (Exhibit 1) stating that the foster child meets all the requirements of a parent-child relationship and stating that the employee will notify the employing office if the foster child marries, moves out of the home, or stops being financially dependent on the employee.

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3 Foster Children (Continued)

H
Foster Child Changes Residence

If the foster child moves out of the employee's home to live with a biological parent, that child loses eligibility under Option C and FEHB. The foster child becomes eligible for coverage again if the:

- biological parent dies, is imprisoned, or becomes unable to care for the child because of a disability
- employee obtains a court order taking parental responsibility away from the biological parent.

I
Eligibility Determination Has Not Been Made

If an eligibility determination has not been made, an employee who has a foster child can request FFAS-19 from the agency, so that eligibility can be established.

When a claim is filed upon the death of a foster child, the agency must verify that it has determined eligibility for the foster child. If there is no FFAS-19 on file at the time of a foster child's death, the agency will have to obtain FFAS-19 from the employee before the Office of Federal Employees' Group Life Insurance can pay the claim.

J
Is Having a Foster Child Considered a Life Event

Acquiring a foster child is a life event that allows an employee to elect Option C, or to increase the multiples of Option C, when that provision of the law becomes effective. The same 60-calendar-day time limit for making the election applies as for acquiring Option C for any other eligible family member. Since a child may be in an employee's home awhile before the requirements for eligibility as a foster child are met, **the 60-calendar-day time frame for electing Option C will begin on the day the employee submits FFAS-19**. Option C coverage will become effective on the later of the following:

- the date the employing office receives SF-2817, if it is received within 60 calendar days after the employee completes the certification
- the date the employing office receives FFAS-19, if the employee submitted SF-2817 before FFAS-19.

Continued on the next page

3 Foster Children (Continued)

J
Is Having a Foster Child Considered a Life Event (Continued)

Note: An employee who has a foster child certification on file for FEHB coverage does **not** have to complete a new certification for FEGLI. **A new certification is required**, if the employee does not have Option C and wants to elect it. If the employee does not complete a new certification, the 60-calendar-day time limit will not begin. The employee would have to wait until the open enrollment period to elect Option C.

Having a foster child counts as a life event for the election or increase of Option C; however, it does **not** count as a life event for the election or increase of Option B.

K
Receiving Benefits Under the Order of Precedence

Although foster children are considered to be eligible family members for coverage under Option C, they are not included under the order of precedence for receiving benefits when an employee dies. If an employee wants a foster child to receive FEGLI benefits after the employee's death, the employee must complete a valid designation of beneficiary.

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4 Direct Payment of Premiums

A
New Law Provisions

Pub. L. 105-311 allows employees, annuitants, and compensationers to pay their life insurance premiums directly if their pay, annuity, or compensation is insufficient to make the premium withholdings.

B
Eligibility

Employees whose pay, on an ongoing basis, is insufficient to make premium withholdings are eligible to continue their life insurance by paying their premiums directly.

Insufficient pay on an ongoing basis means that the employing office expects that during the next 6 months or more, an employee's regular pay, after all other deductions, will not be enough to cover the required withholdings.

Employees in a nonpay status are **not** eligible for the direct pay provision.

Note: The new law allows employees whose insurance is terminating because of a separation or completion of 12 months in nonpay status to continue their Option B coverage on a direct pay basis. More details on this provision and an effective date will be provided in a later notice.

C
Notification

Employing offices will give employees written notification as soon as the employing office becomes aware of an ongoing insufficient pay situation. The notification will give employees information about the choices they can make.

D
Employee Action

After receiving written notification, the employee shall make either of the following choices:

- terminate the FEGLI coverage
- continue the coverage and make direct premium payments.

The employee shall indicate the choice on the notification and return the notification to the employing office within 31 calendar days of receipt (45 calendar days for employees living overseas).

Note: A notification that is mailed is considered to be received by the employee 5 calendar days after the date of the notification.

Continued on the next page

4 Direct Payment of Premiums (Continued)

E
Terminating FEGLI

If the employee chooses to terminate FEGLI coverage, or if the employee does not return the notification making a choice within the required time limit, coverage will terminate retroactive to the end of the last pay period in which premiums were withheld from the employee's pay.

With a termination, the employee gets the 31-calendar-day extension of coverage and the right to convert.

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

Following a termination, the FEGLI coverage is automatically reinstated when the pay becomes sufficient to make the withholdings.

F
Continuing FEGLI

If the employee chooses to continue FEGLI coverage, employee must agree to pay the premiums directly on a current basis.

The employing office will provide instructions on where payment is to be sent.

G
Premium Payments

Either **all** of the premiums must be withheld from pay or **all** of the premiums must be paid directly. An employee cannot make both types of payments simultaneously.

H
Failure to Make Payments

If the employee fails to make the payment on time, the employing office will notify employee, in writing, that if payment is not received within 15 calendar days after receiving the notification (45 calendar days for employees living overseas), coverage will be canceled.

Note: A notification that is mailed is considered to be received 5 calendar days after the date of the notification.

Continued on the next page

4 Direct Payment of Premiums (Continued)

I Effects of a Cancellation

The effects of a cancellation are:

- the employee does **not** get the 31-calendar-day extension of coverage or the right to convert
- it **is** considered a break in the continuous coverage needed to continue FEGLI into retirement
- FEGLI coverage is **not** reinstated when the pay becomes sufficient to make the withholdings.

J Effect of Pay Becoming Large Enough for Premium Withholdings

Refer to the following table for the effect on coverage if pay becomes sufficient for premium withholdings.

IF...	THEN...
employee chooses termination	insurance coverage is automatically reinstated when the pay becomes sufficient to cover the withholdings.
employee's life insurance is terminated because he or she did not return the required notification	
employee chooses direct pay and makes premium payments	premiums must start being withheld from the employee's pay as soon as the pay becomes sufficient.
employee chooses direct pay and does **not** make premium payments	coverage remains canceled.

K Effective date

The direct pay provisions became effective the first pay period beginning on or after October 30, 1998.

5 New Premiums and Age Bands

A Provisions of the New Law

Pub L. 105-311 allows employees who are retiring or becoming insured as compensationers to elect unreduced Option B and/or Option C coverage.

B What Has Changed

Currently Option B and Option C coverage automatically begin to reduce when an annuitant or compensationer reaches age 65.

Since Options B and C may now be continued to a later age in retirement, additional age bands are necessary.

Therefore, the previous upper age band of "60 and over" has been replaced by three new age bands:

- 60 through 64
- 65 through 69
- 70 and over.

C Change in the Way Employees Move From 1 Age Band to Another

Currently, when an employee has a birthday that moves him or her to another age band, the premiums for the new age band do not go into effect until the January following the birthday.

Under the new law, when an employee has a birthday that moves him or her to another age band, the premiums for the new age band will become effective the pay period following the pay period in which the birthday occurs.

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5 New Premiums and Age Bands (Continued)

D
New Biweekly FEGLI Premiums

New biweekly FEGLI premiums for Basic insurance are:

- $0.1550 per $1,000 withholding from employee
- $0.0775 per $1,000 Government contribution.

Refer to the following table for employee premiums on optional insurance coverage.

Age	Option A	Option B (Per $1,000)	Option C (Per Multiple)
Under 35	$0.30	$0.03	$0.27
35-39	$0.40	$0.04	$0.34
40-44	$0.60	$0.06	$0.46
45-49	$0.90	$0.10	$0.60
50-54	$1.40	$0.15	$0.90
55-59	$2.70	$0.31	$1.45
60-64	$6.00	$0.70	$2.60
65-69	$6.00	$0.90	$3.00
70 and over	$6.00	$1.40	$3.40

E
Effective Date

The effective date for these changes is **April 24, 1999**.

The new premiums and age bands become effective the first pay period beginning on or after April 24, 1999.

The change in moving from 1 age band to another in the pay period following the employee's birthday is effective for birthdays on or after April 24, 1999.

Employees who have a birthday from January 1, 1999, through April 23, 1999, that moves them into a new age band will start paying the premiums for the new age band, the first pay period beginning on or after April 24, 1999.

6 Increased Amount of Option C Coverage

A
Current Coverage

Pub. L. 105-311 increased the amount of Option C coverage available.

Currently, Option C coverage is $5,000 for a spouse and $2,500 for each eligible child.

B
The New Amount

The new law allows Federal employees to elect up to 5 multiples of the current amounts. Therefore, the maximum amount of Option C available will be $25,000 for a spouse and $12,500 for each eligible child.

The number of multiples an employee elects applies to all eligible family members.

Example: An employee cannot elect 4 multiples on a spouse and 2 on a child.

C
How to Elect Increased Multiples of Option C

Employees who meet the criteria according to any of the categories in subparagraph D should complete SF-2817 to increase their multiples of Option C.

Current employees who do **not** meet the criteria according to any of the categories in subparagraph D will use a special SF-2817 especially for the upcoming FEGLI Open Season.

Note: The Open Season will be announced under a separate notice.

D
Election Opportunities

Employee shall refer to the following table to determine when Option C coverage can be increased.

IF employee is...	THEN employee may...
a new employee who enters on duty on or after April 24, 1999	elect the increased amounts at the time they become eligible.
an employee who is newly eligible for FEGLI coverage on or after April 24, 1999	
an employee who has a life event on or after April 24, 1999	elect or increase Option C within 60 calendar days of the event.

Continued on the next page

6 Increased Amount of Option C Coverage (Continued)

D Election Opportunities (Continued)

IF employee is...	THEN employee may...
a current employee who already has Option C and who has or has had a life event between October 30, 1998, and April 23, 1999	elect additional multiples of Option C within 60 calendar days after April 24, 1999.
a current employee who does not fit into any of the categories in this subparagraph	elect additional multiples of Option C during the April 24 through June 30, 1999, open enrollment period. **Note:** Specific information will be provided in a separate notice.

E Election of Multiples Because of a Life Event

Refer to the following table for determining the number of multiples an employee can elect because of a life event. In no case can the total number of multiples exceed 5.

IF employee...	THEN employee can elect multiples...
marries	equal to the number of eligible family members acquired with the marriage.
acquires children	equal to the number of eligible children acquired. **Note:** Foster children "count" as eligible children for electing or increasing Option C coverage; however, they do not "count" for electing or increasing Option B coverage.
divorces or experiences the death of a spouse	equal to the total number of his or her eligible children.

Continued on the next page

6 Increased Amount of Option C Coverage (Continued)

F
Carrying Increased Option C Coverage Into Retirement

The increased amount of Option C coverage is subject to the 5-year/first opportunity requirement just as any other FEGLI coverage.

For employees who elect the increased coverage because of a life event, that event constitutes their first opportunity. For employees who do **not** experience a life event, the April 24 through June 30, 1999, open enrollment period is their first opportunity.

Employees who elect the increased coverage at their first opportunity and retire within 5 years of the effective date of their coverage will be able to continue the coverage into retirement.

Note: Employees who elect additional multiples of Option C during the upcoming open enrollment period, and **who retire before the coverage becomes effective**, will **not** be able to continue the increased coverage into retirement.

G
Effective Date

Refer to the following table for determining effective dates for increasing Option C coverage.

IF employee elects Option C coverage because...	THEN...
employee is new or newly-eligible on or after April 24, 1999	coverage becomes effective the first day the employee enters on duty in pay status, on or after the day the employing office receives SF-2817.
of a life event that occurs on or after April 24, 1999	coverage becomes effective the day the employing office receives SF-2817 or the date of the event, whichever is later.
of a life event occurring between October 30, 1998, and April 23, 1999	increased coverage becomes effective retroactive to the pay period that includes April 24, 1999.
of the upcoming open enrollment period	coverage becomes effective the first pay period beginning on or after April 23, 2000, which follows a pay period during which the employee was in pay and duty status.

7 Election of Unreduced Options B and C at Retirement

A
Current Law

Currently, when an employee retires and is eligible to continue FEGLI coverage, the employee can choose the amount by which Basic insurance will reduce after age 65. Employee may choose either a 75 percent reduction, 50 percent reduction, or no reduction.

There is no similar choice for optional insurance. Options A, B, and C all reduce automatically after age 65.

- Option A reduces until only 25 percent of the coverage is left
- Options B and C reduce until there is no coverage left.

Optional insurance is free for annuitants after the age of 65.

B
Provision of New Law

Pub. L. 105-311 allows retiring employees and employees who are becoming insured as compensationers to elect unreduced Options B and C. Premiums will continue to be withheld from the annuity or compensation after age 65.

C
Employee Options

A retiring employee must choose either full reduction or no reduction.

Note: There are no partial reductions.

A retiring employee may elect full reduction for one option and no reduction for the other.

An employee with more than 1 multiple of Option B must elect either full reduction or no reduction for all of the multiples. This is also true for Option C.

D
Full Reduction

If a retiring employee chooses full reduction, coverage will reduce just as it does now, beginning at age 65 (or at retirement, if the person is over age 65 at the time of retirement). The reduction is 2 percent per month until there is no coverage left. The annuitant or compensationer pays no premiums after age 65.

Continued on the next page

7 Election of Unreduced Options B and C at Retirement (Continued)

E
No Reduction

If a retiring employee chooses no reduction, coverage will **not** reduce. After age 65, employee will continue to pay premiums appropriate to his or her age.

F
Elections at Retirement

Employees must make their election at the time of retirement; or for compensationers, at the time of separation or the completion of 12 months in nonpay status. The election is made on SF-2818.

If a retiring employee or an employee becoming insured as a compensationer does **not** make an election on SF-2818, he or she will automatically get full reduction.

G
Changing Your Election

An annuitant or compensationer who elects no reduction can change to full reduction at any time. However, a full reduction cannot change to no reduction more than 30 calendar days after the first regular annuity check is received.

H
Employees Who Retire Before April 24, 1999

Employees who are already retired or insured as compensationers when this new provision goes into effect, and who have Option B, will be given a 1-time opportunity to elect unreduced Option B coverage.

Those whose Option B has already started reducing can elect to have their coverage “frozen” at whatever amount is left as of April 24, 1999, and to have no further reduction in coverage.

Annuitants and compensationers who make this election will start paying the premiums appropriate to their age.

These annuitants and compensationers will **not** be able to elect unreduced Option C.

I
Effective Date

This provision of the new law becomes effective April 24, 1999, and will apply to employees separating for retirement, or compensationers completing 12 months in nonpay status, on or after April 24, 1999.

8 Elimination of Maximums on Basic and Option B

A
Background

Before enactment of the new law, an employee's Basic insurance amount could not exceed the annual rate of basic pay payable for positions at level II or the Executive Schedule, rounded to the next higher multiple of $1,000, plus $2,000; the maximum for 1998 has been $139,000.

Each multiple of Option B was also capped, based on the salary at level II of the Executive schedule; the maximum for 1998 has been $134,000.

B
Provisions of the New Law

The new law eliminates the maximums in subparagraph A.

C
Effect on Option A

Since the maximum has been eliminated for Basic insurance, there is no longer a need to increase the amount of Option A for these employees.

Option A will be $10,000 for all employees.

D
Effective date

The effective date is the first pay period beginning on or after October 30, 1998.

FFAS-19, Certification of Eligibility in FEGLI for Foster Children

REPRODUCE LOCALLY. *Include form number and date on all reproductions.*

FFAS-19
(02-24-99)

U.S. Department of Agriculture
Farm and Foreign Agricultural Services

CERTIFICATION OF ELIGIBILITY IN FEGLI FOR FOSTER CHILDREN

The following list outlines the requirements for coverage of a foster child under Option C of the Federal Employees' Group Life Insurance (FEGLI).

A. The child must be unmarried and under the age of 22. (If the child is over age 22, he/she can only be covered if he/she is incapable of self-support because of a disabling condition that began before age 22. I must provide documentation of this to my employing office.)

B. The child must be living with me.

C. The parent-child relationship must be with me, not with the biological parent. This means that I am exercising parental authority, responsibility, and control; I am caring for, supporting, disciplining, and guiding the child; I am making the decisions about the child's education and health care.

D. I must be the primary source of financial support for the child.

E. I must expect to raise the child to adulthood.

I understand that if the child moves out of my home to live with a biological parent, he/she loses coverage and cannot ever again be covered as a foster child unless the biological parent dies, is imprisoned, or becomes incapable of caring for the child due to a disability, or unless I obtain a court order taking parental responsibility away from the biological parent.

This is to certify that _____ lives with me and we have a regular parent-child relationship, as described
(Name of child)
above; I am the primary source of financial support for _____ and I intend to raise
(Name of child)
_____ into adulthood.
(Name of child)

I will immediately notify my employing office (and the health benefits carrier, if the child is covered under FEHB) if the child marries, moves out of my home, or ceases to be financially dependent on me.

_____
Printed Name of Employee/Annuitant

_____
Social Security Number of Employee/Annuitant

_____
Signature of Employee/Annuitant

_____
Date

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