

Office of Personnel Management

Retirement and Insurance Service



1920



1954



1959



1986

Federal Employee Benefit Programs FINANCIAL MANAGEMENT LETTER

Number: F-97-02

Date: May 30, 1997

SUBJECT: ENROLLMENT RECONCILIATION AND DEATH GRATUITY PAYMENTS

FINANCIAL MANAGEMENT LETTER

The purpose of this letter is to provide you with information about two important, but unrelated subjects.

ENROLLMENT RECONCILIATION

As you are probably aware, several carriers participating in the Federal Employees Health Benefits (FEHB) Program have filed claims against it. As their basis, the carriers have alleged that they have not been paid all of the premiums due them. It has proven difficult for us to refute these claims since the records of enrollment in the Program are maintained, not by the Office of Personnel Management, but by the employing agencies. For the Program to be effective, it is critical that employing agencies maintain complete and accurate enrollment records and conduct periodic enrollment reconciliations with carriers.

We have incorporated in our contracts with the carriers a strict requirement that they reconcile their enrollment records with employing agencies on a quarterly basis. To ensure these reconciliations are effective (and perhaps, thereby, avert future claims), agency payroll offices must cooperate fully when approached by carriers to reconcile enrollment. Additionally, we have reminded agency payroll offices (our letter is enclosed) of the long-standing requirement to provide certain quarterly information to the carriers. It would be of great assistance to us if you would ensure compliance with this important requirement and generate a spirit of cooperation with enrollment reconciliation in general by your agency's payroll offices and/or the organization cross-servicing you.

DEATH GRATUITY PAYMENTS

In a October 15, 1997 memorandum, Director King informed department and agency heads of recent legislation authorizing the payment of a death gratuity to the personal representative of an employee, who died from an injury sustained in the line of duty on or after August 2, 1990. This death gratuity payment (DGP) may be in an amount up to \$10,000. We have received inquiries from agency officials regarding the tax consequences to recipients of the DGPs.

The Internal Revenue Service (IRS) has determined that the DGP is taxable to the recipient. If the employee died **on or before** August 20, 1996, the recipient may exclude from income up to \$5,000 received from all sources (including the DGP) as a beneficiary of a deceased federal employee. However, if the death occurred **after** August 20, 1996, the exclusion does not apply to the DGP and it must be included as income subject to federal taxes.

In addition, the IRS has asked that we remind agency financial management officials that DGPs must be reported on the Form IRS 1099-R, *Distributions from Pensions, Annuities, Retirement or Profit-sharing Plans, IRAs, Insurance Contracts, etc.*

If you have any questions on either of these matters, please direct them to our Financial Management Division on 202-606-0666.

**Kathleen M. McGettigan, Assistant Director
for Financial Control and Management
Retirement and Insurance Service**

Enclosure