



***Retirement and Insurance Service
Benefits Administration Letter***

Number: 01-305

Date: January 9, 2001

Subject: Physicians' Comparability Allowances

Note: This letter supercedes BAL 01-304, on the same subject, which has been withdrawn.

Agencies have been authorized for a number of years to make comparability allowance payments, known as physicians' comparability allowances (PCAs), under certain conditions. PCAs have previously not been included in basic pay for the purpose of the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). However, with the enactment on December 28, 2000, of Public Law 106-571 -- the "Federal Physicians Comparability Allowance (PCA) Amendments of 2000" -- PCAs now constitute basic pay for purposes of retirement deductions under both CSRS and FERS.

Thus, effective with *the first payroll period beginning on or after December 28, 2000*, CSRS and FERS deductions must be deducted from PCAs. For most employees, this would be the pay period beginning on December 31, 2000.

The use of PCAs in the computation of CSRS and FERS benefits is subject to complex eligibility requirements. For most individuals, PCAs will constitute basic pay for benefit computation on a phased-in basis. Procedures will have to be prepared to ensure that these provisions are appropriately implemented, and we will transmit further information and guidance as it is developed.

Please be aware that PCAs do NOT constitute basic pay for purposes of deductions for Federal Employees Group Life Insurance purposes.

We regret the short notice on this matter, but the language of the law afforded us little lead-time. If you have any questions regarding this information, we would prefer that you email us at finance@opm.gov, so that we have a record of our communication. You may also phone us on (202) 606-0606.

A handwritten signature in black ink, appearing to read "Robert A. Yuran".

**Robert A. Yuran, Chief
Financial Policy Staff**