



Benefits Administration Letter

Number: 04-102

Date: February 13, 2004

Subject: Federal Physicians Comparability Allowance Amendments of 2000

The purpose of this Benefits Administration Letter (BAL) is to provide you with circumstances under which physicians comparability allowance (PCA) should be included as basic pay for retirement average salary computations under the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). These changes became effective on December 28, 2000.

BACKGROUND: The Federal Physicians Comparability Allowance Act of 1978 provided that certain Federally employed physicians as defined in 5 U.S.C. 5948(g) may be authorized the payment of an allowance in return for a specified period of service. Until enactment of Public Law 106-571, the "Federal Physicians Comparability Allowance Amendments of 2000" on December 28, 2000, the allowance was not creditable as basic pay and thus not used in annuity computations of average salary. As of the first payroll period on or after December 28, 2000, deductions began to be taken from the PCA and a phase-in period for average salary credit of the allowance began.

PCA received on or after December 28, 2000, is considered basic pay for:

- Computing withholdings for CSRS and FERS retirement deductions
- Computing TSP contributions amounts
- Computing disability retirement benefits
- Computing survivor benefits for death-in-service

*Civil Service
Retirement
System*

*Federal Employees'
Group Life
Insurance Program*

*Federal Employees
Health Benefits
Program*

*Federal Employees
Retirement
System*

*Long Term
Care Insurance
Program*

While retirement deductions on the full amount of the PCA began on December 28, 2000, use of PCA in the retirement computation is based upon the provision under which title to an annuity is based, and the individual's service history.

Disability and death-in-service cases. If an individual retires on disability or dies in service, full credit for PCA received on or after December 28, 2000, will be included in computation of the average salary, regardless of the individual's service history.

All other forms of annuity entitlement. In all cases where annuity title is **not** based on disability or death in service, eligibility for use of PCA in the computation of average salary is based upon the individual's service history, using a two-part test.

First, the individual must have **at least 15 years of service** as a Government physician. For purposes of the 15-year requirement, the service as Government physician may have been performed at any time (before, on, or after December 28, 2000). If this requirement is not met, then none of the PCA may be used in computation of the average salary, regardless of how much service as a Government physician was performed on or after December 28, 2000 (except in a disability or death-in-service case).

Second, if an individual has at least 15 years of service as a Government physician, PCA payments attributable to service performed on or after December 28, 2000, will be included as basic pay for computation of average salary on a phased-in basis. This will be based on the total amount of service performed as a Government physician on or after December 28, 2000, as indicated below:

- Less than 2 years, NONE of the PCA is included
- At least 2 years but less than 4 years, 25% of the PCA is included
- At least 4 years but less than 6 years, 50% of the PCA is included
- At least 6 years but less than 8 years, 75% of the PCA is included
- If 8 years or more, 100% of the PCA is included

For the purpose of determining eligibility under the phase-in provision, all service performed on or after December 28, 2000, as a Government physician will be creditable even if the individual was not receiving PCA for a portion of that period.

While December 27, 2008, is the **earliest date** on which an individual can complete the 8 year requirement, not every Government physician who retires on or after that date will have completed the phased in requirement for 100% credit. The percentage allowable will be based on the physician's specific service history.

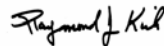
Definition of service as a Government physician. "Government physician" means any individual employed as a physician or dentist who is paid under -

- (A) Section 5332 of title 5, U.S.C., (the General Schedule);
- (B) Subchapter VIII of chapter 53 of title 5, U.S.C., (the **Senior Executive Service**);
- (C) Section 5371 of title 5, U.S.C., relating to certain health care positions;

- (D) Section 3 of the **Tennessee Valley Authority** Act of 1933 (16 U.S.C. 831b), relating to the Tennessee Valley Authority;
- (E) Chapter 4 of title I of the **Foreign Service** Act of 1980 (22 U.S.C. 3961 and following), relating to the Foreign Service;
- (F) Section 10 of the **Central Intelligence Agency** Act of 1949 (50 U.S.C. 403j), relating to the Central Intelligence Agency;
- (G) Section 1202 of the **Panama Canal** Act of 1979, relating to the Panama Canal Commission;
- (H) Section 2 of the Act of May 29, 1959 (Public Law 86-36, as amended, 50 U.S.C. 402 note, repealed by Pub. L. 104-201, div. A, title XVI, Sec. 1633(b)(1), (Sept. 23, 1996), relating to the **National Security Agency**;
- (I) Section 5376 of title 5, U.S.C., (senior-level positions);
- (J) Section 5377 of title 5, U.S.C., relating to critical positions; or
- (K) Subchapter IX of chapter 53 of title 5, U.S.C., relating to special occupational pay systems.

No part of the PCA is included as basic pay for FEGLI purposes. Thus, for an individual receiving PCA at the time of death or retirement that may be used for computation of average salary, the final salary for FEGLI will be lower than the final salary for retirement purposes.

The employing agency must complete the certification form RI 20-122 in the attachment when a physician retires regardless of the type of retirement. The certification form should also be completed on all physician death-in-service cases. RI 20-122 can be accessed through OPM's web site: www.opm.gov/forms/pdf_fill/RI20-122.pdf.



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