



**Retirement and Insurance Service
Benefits Administration Letter**

Number: 99-209

Date: April 26, 1999

Subject: Federal Employees' Group Life Insurance: Important Changes

GENERAL INFORMATION

Background

Benefits Administration Letter (BAL) 99-203, issued February 9, 1999, provided information concerning the election of unreduced Options B and C at retirement. This provision becomes effective April 24, 1999.

BAL 99-204, issued February 10, 1999, provided the new FEGLI premiums and age bands.

Purpose

The purpose of this BAL is to inform agencies of some *changes to the information given in the earlier BALs.*

ELECTION OF UNREDUCED OPTIONS B AND C

Old Information

BAL 99-203 stated that when employees retire (or when they become insured as compensationers), they must elect either Full Reduction for all of their multiples of Option B or No Reduction for all of their multiples. The BAL stated that retiring employees could not elect to have some multiples reduce and others not reduce. (With Full Reduction, each multiple reduces 2% a month beginning with the 2nd month after the annuitant's 65th birthday. The reductions continue for 50 months, at which time the insurance stops.)

The BAL also stated that an annuitant who chose Full Reduction could not change to No Reduction more than 30 days after he/she receives the first regular annuity check.

The same information was given for Option C.

New Information

At the time of retirement or becoming insured as a compensationner, employees will elect how many of their Option B and C multiples they wish to continue into retirement. (EXCEPTION: Employees who have assigned their insurance cannot reduce the number of multiples of their Option B coverage.)

If an employee chooses to continue fewer multiples than he/she is eligible to continue, those multiples that are not continued are considered cancelled; there is no 31-day extension of coverage or right to convert. Employees don't need to complete an SF 2817 to reduce the number of multiples of Options B and C at retirement.

In addition to choosing the number of multiples they want to continue, retiring employees and compensationners will also choose whether to have all of those multiples reduce or none of them reduce.

If an employee does not make an election, he/she will automatically continue all multiples for which he/she is eligible and will get Full Reduction for all multiples.

How Will a Retiring Employee Make the Election?

Retiring employees and employees becoming insured as compensationners will make their election on SF 2818, which is being revised to accommodate these changes.

Until the new SF 2818 is available, agencies should continue to use the current SF 2818 for the election regarding Basic insurance, and should use the attached Option B and C Election Notice for elections regarding Options B and C. Include the Option B and C Election Notice with the retirement package when you submit it to the Office of Personnel Management (OPM).

Can an Annuitant or Compensationner Change the Election?

An annuitant or compensationner who elects *No Reduction* can change to *Full Reduction* at any time (unless the insurance has been assigned). If the individual is over age 65, the amount of insurance in force will be computed as if he/she had elected Full Reduction originally. There will be no refund of premiums.

An annuitant who elects *Full Reduction* can change to *No Reduction* at any time up until the 2nd month following his/her 65th birthday. Once an annuity check has been issued for which no premiums are withheld for the Full Reduction multiples, an annuitant cannot change his/her election from Full Reduction to No Reduction.

As with the initial election, up until age 65 these changes apply to all multiples, i.e. the person can change to No Reduction or Full Reduction for all multiples.

What Is the Difference between Cancelling a Multiple and Changing to Full Reduction?

Cancelling a multiple causes that coverage (and the premiums) to stop right away. If the annuitant becomes reemployed, he/she cannot get that coverage back unless there is a break in service of at least 180 days. If an annuitant dies after cancelling a multiple, no benefits will be paid for that multiple.

Changing to Full Reduction also causes the coverage to stop, but the coverage goes away gradually - 2% each month - instead of all at once. And the reductions don't start (and the premiums don't stop) until the 2nd month after the annuitant/compensationner reaches age 65. If an annuitant dies after changing a multiple to Full Reduction, benefits will be paid on whatever amount of that multiple is left at the time of death.

What If the Insurance Has Been Assigned?

If the insurance has been assigned, the retiring employee makes the initial election regarding Option B reductions, just as he/she does for Basic.

Once the retiring employee who has assigned the insurance has made an Option B election, he/she can change only from Full Reduction to No Reduction (before reaching age 65); *the individual cannot* change from No Reduction to Full Reduction. Conversely, only the assignee can change from No Reduction to Full Reduction; *the assignee cannot* change from Full Reduction to No Reduction. (Only the insured individual can go up; only the assignee can go down.)

Option C isn't subject to assignment.

Is There Anything Else That's New?

Yes. Shortly before an annuitant/compensationeer reaches age 65, OPM's Office of Retirement Programs (ORP) will send the person a letter reminding him/her of the election made at retirement and advising the person of the premiums. The individual will be able to change the election and *at that time, he/she will be able to choose to have some multiples reduce and some not reduce*. For any multiples for which the annuitant/compensationeer elects Full Reduction, premiums will stop at age 65; for those for which the annuitant/compensationeer elects No Reduction, premiums will continue.

EXCEPTION: If the insurance has been assigned and the annuitant elected No Reduction for all multiples, he/she cannot change that election. In this instance, ORP will send the annuitant a letter regarding Option C and will send the assignee(s) a letter regarding Option B.

What Happens If the Employee Is Already Age 65 or over When He/She Retires?

If the individual is already age 65 or older at the time of retirement, ORP will send a different version of the reminder letter as soon as they have processed the application.

Will Those Who Are Already Retired Be Given the Same Election Opportunities?

In the upcoming election opportunity, persons who are already retired or insured as compensationers on April 24, 1999, and who have Option B, will be allowed to choose Full Reduction or No Reduction for their Option B coverage. ORP is preparing a letter to all annuitants and compensationers about this.

Those who are under age 65 will choose either Full Reduction or No Reduction for all their multiples. Shortly before they turn 65, they will receive a reminder letter, as discussed above. They will then be able to change their election, including electing to have some multiples reduce and some not reduce. If the insurance has been assigned, the letter will go to the assignee(s).

Annuitants and compensationers over 65 whose Option B has already started reducing will be electing whether to freeze some or all of their multiples at the amount in force on April 24, 1999.

There is no election opportunity for current annuitants and compensationers regarding Option C.

NEW PREMIUMS AND AGE BANDS

What Has Not Changed?

The following things have not changed and will still go into effect the first pay period beginning on or after April 24, 1999, as previously announced:

- \$ New age bands for Option C
 - \$ Change in the birthday rule
 - \$ Premium changes for Basic insurance
 - \$ Premium changes for Option A
 - \$ Premium changes for Option B up through age 64
 - \$ Premium changes for Option C up through age 64
-

What Has Changed?

The following things have been changed:

- \$ Option B premiums for those over age 64
 - \$ Option C premiums for those over age 64 for 1999
-

What Is Happening to the Option B Premiums for Those over Age 64?

When the other premium changes go into effect on April 24, the new (higher) premiums for those over age 64 will not go into effect. The premiums for persons over age 64 will be the same as those for persons age 60-64.

We will notify you at a later date if there are premium changes in future years.

What Is Happening to the Option C Premiums for Those over Age 64?

The premiums for the new age bands for Option C are being delayed for a year. They will go into effect the first pay period beginning on or after April 24, 2000.

Payroll Office Notification

Payroll offices will be notified of these changes through a Payroll Office Letter.

The Open Enrollment Pamphlet

The FEGLI 99 Open Enrollment Period Pamphlet (FE 74 A (FE 74 B for the Postal Service) contains the 1999 premiums. It refers those over 64 to the FEGLI Booklet or website or to their human resources office for information on the Option B and C premiums after 1999.

The pamphlet was prepared at a time when we thought we would have Option B premium information available. If you receive inquiries about the Option B premium for future years for those who are over age 64, tell people that OPM will send out any new information on the premiums as soon as it becomes available.

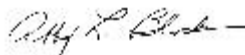
CD-ROM

The printed version of the FEGLI Booklet is being revised to show the correct rates. However, page 18 of the PDF version of the Booklet on the CD-ROM contains the previously-announced higher rates for Options B and C for those over age 64. There is a note on that page that says **If rates change, your human resources office will tell you.** If anyone asks, give him/her the revised premium amounts discussed above.

Premiums for Those Who Elect 50% Reduction or No Reduction for Basic Insurance at Retirement

The extra premiums for those who elect 50% Reduction or No Reduction at retirement (or when becoming insured as compensationers) are also changing as of April 24, 1999. While you don't need to program these premiums into your computer systems, you should be aware of them for retirement counseling purposes. (The premiums shown on the February 1996 version of the SF 2818 will no longer be valid.)

The monthly amounts for these Basic insurance elections have increased from \$0.52 to \$0.59 per \$1,000 for 50% Reduction and from \$1.69 to \$2.04 per \$1,000 for No Reduction. These are in addition to the **Regular** premium for Basic insurance. The regular premium for Basic insurance stops when an annuitant or compensationer reaches age 65; only these extra premiums continue.



Abby L. Block, Chief
Insurance Policy
and Information Division

Attachment

OPTION B AND C ELECTION NOTICE

PART A - To Be Completed by Employing Agency

1. _____ 2. _____ 3. _____
Name of Employee Date of Birth Social Security Number
4. _____ 5. _____
Number of Multiples of Option B Number of Multiples of Option C
the Employee Is Eligible to Continue the Employee Is Eligible to Continue
-

PART B - To Be Completed by Employee and Returned to the Employing Agency

OPTION B ELECTION

Number of Multiples of Option B I Want to Continue _____ (This number cannot be more than the number shown in #4 above. If you have assigned your insurance, this number must be the same as the number shown in #4 above.)

FULL REDUCTION: I understand that if I elect Full Reduction, my Option B coverage will begin to reduce the 2nd month after my 65th birthday (or the 2nd month after I retire, if I am already over 65). The reduction will be 2% each month for 50 months, at which time the coverage will stop. I will not pay any premiums for this coverage after I turn 65. I understand that if I choose Full Reduction, I can change to No Reduction at any time until I reach age 65.

NO REDUCTION: I understand that if I elect No Reduction, my Option B coverage will not reduce when I reach 65. I will continue to pay premiums for this coverage. I understand that if I choose No Reduction, I can change to Full Reduction at any time (unless I have assigned my insurance). If I am over age 65 when I change my election, the amount of Option B remaining will be computed as if I had elected Full Reduction initially, and there will be no refund of my premiums.

CHECK ONLY ONE:

I want **Full Reduction** _____

I want **No Reduction** _____

Signature of Employee

Date

OPTION C ELECTION

Number of Multiples of Option C I Want to Continue _____ (This number cannot be more than the number shown in #5 on the previous page.)

FULL REDUCTION: I understand that if I elect Full Reduction, my Option C coverage will begin to reduce the 2nd month after my 65th birthday (or the 2nd month after I retire, if I am already over 65). The reduction will be 2% each month for 50 months, at which time the coverage will stop. I will not pay any premiums for this coverage after I turn 65. I understand that if I choose Full Reduction, I can change to No Reduction at any time until I reach age 65.

NO REDUCTION: I understand that if I elect No Reduction, my Option C coverage will not reduce when I reach 65. I will continue to pay premiums for this coverage. I understand that if I choose No Reduction, I can change to Full Reduction at any time. If I am over age 65 when I change my election, the amount of Option C remaining will be computed as if I had elected Full Reduction initially, and there will be no refund of my premiums.

CHECK ONLY ONE:

I want *Full Reduction* _____

I want *No Reduction* _____

Signature of Employee

Date

ADDITIONAL INFORMATION

Before you turn 65, you will receive a letter reminding you of the election you made and letting you know what the premiums will be. At that time you will be allowed to change your election.

NOTE: If you have assigned your insurance and you elect No Reduction for Option B, you will not be allowed to change that election for any multiples of Option B. Instead, the reminder letter will be sent to your assignee(s).