



**Retirement and Insurance Service
Benefits Administration Letter**

Number: 01-319

Date: May 30, 2001

Subject: Revised Effective Date of FEHB Open Season Elections - Impact on Withholdings and Contributions

We will soon issue regulations that will change the effective date of all future Federal Employees Health Benefits (FEHB) Program open season elections, beginning with the upcoming open season. Rather than on the first day of the first pay period beginning in January, as is the current rule, all future open season elections will take effect on January 1. Nonetheless, according to law, the new withholding and contribution rates for the calendar year following the open season will continue to be effective on the first day of the first pay period beginning in January.

The revised January 1 effective date of FEHB open season elections will not usually coincide with the first day of the first pay period beginning in January; for instance, the first pay period in 2002 for most employees begins on January 13. This disconnect between the January 1 effective date of open season elections and the beginning of the first pay period in January will have no effect on FEHB withholdings and contributions, EXCEPT where an individual changes enrollment codes during the open season. For these enrollees, FEHB withholdings and contributions for the pay period that includes January 1 should *technically* be prorated between their "old" and "new" enrollment codes. *Nonetheless, we are NOT requiring agency payroll offices (APOs) to prorate withholdings and contributions for 2002 or thereafter. We do, however, encourage those APOs that can easily modify their payroll systems to enable this proration to do so.*

APOs that do prorate withholdings and contributions for the pay period that includes January 1 will segment this pay period into the number of calendar days that fall in December and the number that fall in January.

- For the calendar days that fall in December, withholdings and contributions must be based on the *previous* year's rates of the employee's "old" FEHB enrollment code.
- For the calendar days that fall in January, withholdings and contributions must be based on the *previous* year's rates of the employee's "new" enrollment code.

For instance, using the pay period that will begin on December 30, 2000, and end on January 12, 2001, APOs will base 2/14 of withholdings and contributions on the 2001 rates of the "old" enrollment code and 12/14 on the 2001 rates of on the "new" enrollment code.

Perhaps the following illustration will help clarify the proration methodology:

Sandra Marks is an enrollee in plan XY1 in 2001, which has biweekly withholdings and contributions of \$100 and \$200, respectively, in 2001. During the 2001 open season, Ms. Marks elects coverage in plan AB1. AB1 has withholdings and contributions of \$125 and \$225 respectively, in 2001 and will have withholdings and contributions of \$150 and \$250 respectively, in 2002.

Ms. Marks is paid like most employees on a biweekly basis and her first pay period in 2002 will begin on January 13. Ms. Marks' APO will make the following FEHB withholdings and contributions for her:

<i>Date</i>	<i>Plan</i>	<i>Withholding Rate (\$)</i>	<i>Contribution Rate (\$)</i>	<i>Withholding Amount (\$)</i>	<i>Contribution Amount (\$)</i>
12/30/01	XY1	100.00	200.00	* 14.29	* 28.57
1/1/02	AB1	125.00	225.00	** 107.14	** 192.86
1/13/02	AB1	150.00	250.00	150.00	250.00

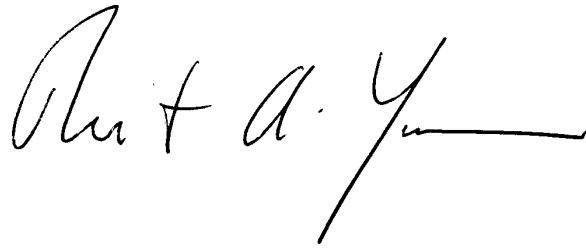
* (withholding) \$100 X 2/14
 (contribution) \$200 X 2/14

** (withholding) \$125 X 12/14
 (contribution) \$225 X 12/14

If an individual enrolls in a plan that did not exist in the previous year, there will be NO proration.

Withholdings and contributions for the “new” plan will be effective on the first day of the first pay period beginning in January. For the “old” plan, withholdings and contributions will continue until the last day of the pay period that includes January 1.

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". The signature is written in a cursive style with a long horizontal stroke at the end.

Robert A. Yuran, Chief
Financial Policy Staff