



Benefits Administration Letter

Number: 20 - 103

Date: 02/01/2020

Subject: Additional Problems Encountered in Documentation for Disability Retirements

The Office of Personnel Management (OPM) previously published guidance through [BAL 99-101](#), *Common Problems Encountered in Documentation for Retirements Under the Federal Employees Retirement System (FERS)*, and [BAL 15-102](#), *Additional Items to Report on Individual Retirement Records (IRRs) in Cases of Separation, Removal, or Resignation*, on various issues OPM has encountered with applications for retirements and reporting submissions.

The purpose of this Benefits Administration Letter (BAL) is to identify the challenges encountered with documentation submitted for Disability Retirements and to outline additional reporting requirements necessary to expedite the processing of Disability Retirements after an individual separates from a former Agency.

Agencies are encouraged to implement the procedures as described in this BAL. These actions will allow OPM to improve the retirement submission process and adjudication of Disability claims.

Kenneth J. Zawodny, Jr.
Associate Director
Retirement Services

TRANSFERRING RECORDS TO THE NATIONAL PERSONNEL RECORDS CENTER AFTER SEPARATION

Problem: Agencies have been sending or electronically transferring separated employees' official personal folders (OPFs), including performance records and the employees' medical folder (EMF) to the National Personnel Records Center (NPRC) within 90 to 120 days after employees separate from Federal Service. In situations when a separated employee applies for retirement under the Disability provisions within 1 year after separation and OPM subsequently requests the individual's OPF and any necessary information from the former Agency, the former Agency has already transferred that individual's OPF to the NPRC. Because the former Agency is unable to provide the individual's OPF, the applicant's adjudication of disability benefits is significantly delayed.

Rules:

- Separated employees may file an application for disability retirement within one year after their separation from employment (5 C.F.R. § 831.1204).
- The time limit for submitting an application for retirement can be waived only in the case of an employee who is mentally incompetent upon leaving Federal Service or who becomes incompetent within 1 year thereafter.
- In such a situation, the application will be accepted by OPM if filed within 1 year from the date the employee is restored to competency or a guardian is appointed, whichever is earlier.
- OPM will accept only one disability retirement application from an employee based upon the same circumstances. Thus, once there has been a final denial of a disability retirement application, another new application may not be filed absent a material change in the employee's situation. In the case of a separated employee, only one disability application may be submitted.
- Agencies may not submit a disability application for a separated employee. The separated employee must file the application directly with OPM.
- When a separated employee files an application directly with OPM, it will request any necessary information from the Agency that has not already been submitted.
- Agencies may need to retain personnel folders for more than 90 days under certain circumstances, as outlined in the *Guide to Personnel Record Keeping*.
- Disability retirement applications cannot be adjudicated if OPM is missing required information from an applicant's OPF.

Action Requested:

Agencies should retain complete personnel folders for at least 1 year after the effective date of an employee's separation when the Agency expects the

former employee to apply for Disability retirement benefits within 1 year after separation. Being able to obtain a separated employee's complete OPF directly from the Agency, or the eOPF, will help OPM expedite Disability retirements more efficiently and quickly authorize the individual's interim pay.

REPORTING THE LAST DAY OF PAY ON INDIVIDUAL RETIREMENT RECORDS

Problem: OPM typically uses the last day of pay (LDOP) as the commencing date of a Disability retirement annuity (e.g. the annuity will be paid retroactively from the annuitant's LDOP). OPM often receives incorrect or missing LDOP information on the Individual Retirement Records (IRR's) of employees initially separating under a non-retirement nature of action. In situations where the employee resigns, is terminated or removed and subsequently applies and is approved for disability retirement, OPM requires the last day on which employees were in a pay status in order to authorize interim annuity payments.

In many circumstances, the LDOP as certified by Agencies after they receive OPM's Notice of Approval of Disability Retirement Application, does not match or concur with other payroll information provided in the Disability application. Incomplete or unclear information on the LDOP requires OPM to contact the Agency to resolve the discrepancy before Disability benefits can be authorized, extending the final adjudication process even longer.

Rules:

- An IRR is used by OPM as the basic record for determining the retirement benefits payable to a separated employee. It is important that each IRR be correct, complete, clear in every detail, and properly certified so that when the record is received by OPM, claims may be processed expeditiously.
- A disability annuity can begin as early as the day after the individual's pay stops. Annuity payments can be retroactive to the last day the employee was in a pay status.

- If an employee is on leave without pay (LWOP), the final day of separation should be no later than the end of the pay period in which the approval notice is received.
- If an applicant has periods of donated leave that interrupt periods of LWOP, annuity payments will be retroactive only to the last day of continuous pay. Agencies can credit any donated leave retroactively to any periods of LWOP (5 C.F.R. § 630.1009(d)).

Action Requested:

- Employees should be consistently counseled on the impact of their disability annuity commencing date when accepting donated leave and informed that their interim annuity payments cannot start until after their last day of pay.
- In instances when an employee has not been separated from the Agency and OPM's Notice of Approval of Disability Retirement Application is received, Agencies should separate the employee as soon as practical, but usually not later than the end of the pay period in which the notice of approval is received. Employees cannot exhaust their annual leave or donated leave for any purpose past the end of the pay period during which the notice of approval is received (5 C.F.R. § 630.910(4)).
- Agencies, Shared Service Centers and Payroll Offices must report the LDOP on IRRs with the following Nature of Action (NOA) codes:
 - 3112 – Resignation ILIA (In lieu of Involuntary Action)
 - 317 – Resignation
 - 310 – Removal
 - 351 – Termination Sponsor Relocating
 - 352 – Termination Appointment in (Agency)
 - 353 – Separation US
 - 355 – Termination Expiration of Appointment
 - 356 – Separation RIF (Reduction in Force)
 - 357 – Separation RIF (Reduction in Force)
 - 357 – Termination
 - 385 – Termination during probation/trial period
- Payroll offices must certify the correct LDOP on all separation IRRs, including those related to resignations, removals and terminations, in order for OPM to commence benefits on the earliest possible date (CSRS/FERS Handbook, Chapter 81, Part A2, Section 2-2 and 3-2).
- All periods of LWOP for each year must be recorded on the IRRs. Only LWOP that occurred prior to the LDOP should be posted for the year in which pay stops.

COMMENCING DATE OF DISABILITY ANNUITY

Problem: Disability retirement annuitants are often confused or unaware of the rules regarding the commencement date of their disability retirement annuity.

Rules:

- A disability annuity commences on the day after separation from service or on the day after the LDOP if the employee meets all the conditions to be eligible for a disability retirement (5 C.F.R. § 844.301). See [CSRS/FERS Handbook, Chapter 60, Sections 60A1.1-3 and 60B1.1-2](#) for eligibility requirements.
- If, after reviewing the medical evidence, OPM determines the date the disability began (DDB) was *on or before* the LDOP, the day after the LDOP will be used as the commencing date of annuity. If the DDB is found to have occurred *after* the LDOP, the day after the DDB will be used as the commencing date of annuity.
- In situations where the employee resigns, is terminated or removed and subsequently applies and is approved for disability retirement, OPM will typically use the day after the LDOP as the commencing date of annuity unless the applicant specifically requests that the day after separation be used.

NOTE: To determine the most advantageous commencing annuity date, OPM will contact the annuitant and provide the opportunity to choose which date would be most beneficial for him/her. For example, assume an annuitant would not be eligible for health benefits and/or life insurance if the LDOP is used as the commencing date. The annuitant may request that the separation date be used as the commencing date of annuity. This would ensure that he/she does not lose eligibility for health/life insurance coverage. This option, however, may result in loss of income since the annuity benefit would commence on a later date.

Action Requested:

- It is imperative that employees be counseled properly on the effect of using LWOP before separating from service. A disability annuity will begin as early as the day after the individual's pay stops. An individual's LDOP date or dates of continuous pay may change if records indicate that the individual

received any pay (such as donated leave or other paid leave) before separating from service.

- Employees should also be reminded that OPM will typically use the day after the LDOP as the commencing date of annuity unless it is otherwise requested. Each disability case is different, and, in most situations, it is more advantageous for the annuitant to request to commence the annuity as soon as possible.
-

RECORDING HEALTH INSURANCE INFORMATION ON INDIVIDUAL RETIREMENT RECORDS

Problem: Currently, payroll offices and shared service centers do not routinely include the Federal Employees Health Benefits (FEHB) plan code on the IRRs of employees initially separating under a non-retirement nature of action. When OPM receives Disability retirement applications from separated employees who have up to one year after separating from their Agencies to apply for Disability benefits, it must try to obtain this information from Agencies, adding additional time to process their disability retirements.

Rules:

- In cases where an applicant's complete OPF is not readily available and records of Federal Employee Health Benefits (FEHB) enrollments documentation are not provided, a final IRR should include health benefit enrollment information current as of the time of separation. (See [Chapter 81](#) of the CSRS and FERS Handbook on preparing and closing out final IRRs for Disability Retirement, and additional guidance on items to report on final IRRs in [BAL 15-102](#)).
- A separated employee is eligible to continue health benefits coverage upon approval of a Disability retirement, if he/she meets all of the following requirements:
 - Is entitled to an immediate retirement annuity under a [retirement system](#) for civilian employees; and
 - Has been continuously enrolled (or covered as a family member) in any FEHB plan(s) for the [5 years of service](#) immediately before the date their annuity starts, or for the full period(s) of service since their first opportunity to enroll (if less than 5 years).

- Breaks in service are not counted as interruptions when the [5 years of service requirement](#) is determined, as long as they reenroll in FEHB within 60 days following any such break in service.
- OPM makes the final determination as to whether a separated employee is eligible to continue health insurance coverage as a Disability annuitant.
- When an individual is eligible for an immediate annuity, but doesn't apply for retirement upon separation, agencies will terminate their enrollment on the Notice of Change in Health Benefits Enrollment (SF 2810) upon their separation. The individual's FEHB enrollment will terminate when they are separated.
- In situations where an employee resigns, is terminated or removed and subsequently applies and is approved for disability retirement, OPM will reinstate the FEHB enrollment, retroactive to the starting date of their Disability annuity (as long as they meet the requirements to continue enrollment).

Action Requested:

- To ensure proper health insurance coverage to retiring employees and to adjust interim annuity payments for necessary insurance withholdings, Agencies, Shared Services Centers and Payroll Offices must include FEHB plan codes on all final separation IRRs (including non-retirement separations).
- Agencies must report an individual's health insurance enrollment in the "Remarks" section of the separation IRR as follows:
 - H.B. Enrollment Code: ### (See *Example 14 for final SF 3100 and Example 13 for final SF 2806 of Chapter 81 of the CSRS and FERS Handbook*).
- Agencies should counsel employees on their eligibility to enroll for health care coverage under the [Temporary Continuation of Coverage](#) (TCC) provisions even when employees plan to apply for retirement after separation or have a disability retirement pending at the time of separation from the Agency. If their retirement application is approved after the separation occurs, OPM will contact the individual to offer FEHB retroactive reinstatement options, if they meet the requirements to continue their health insurance enrollment. OPM will also confirm coverage under TCC and request a refund to the retiree of premiums paid for overlapping periods of coverage.
- Agencies should also notify employees of the consequences of losing FEHB or FEGLI coverage after being in a nonpay status for longer than 365 days

(or when FEHB enrollment under TCC ends or conversion to an individual health or life insurance policy does not occur). For example, if an employee dies in service before being separated from the Agency and after FEHB or FEGLI coverage stops, surviving dependents may not be eligible to continue their health benefits enrollment and entitlement to FEGLI benefits may cease (See [Chapter 70](#) and [Chapter 73](#) of the CSRS and FERS Handbook for additional information on continuing health benefits enrollment and eligibility for surviving dependents).

RECORDING LIFE INSURANCE INFORMATION ON INDIVIDUAL RETIREMENT RECORDS

Problem: Currently, payroll offices and shared service centers do not routinely include Federal Employees Group Life Insurance (FEGLI) enrollment codes on the IRRs of employees initially separating under a non-retirement nature of action. When OPM receives Disability retirement applications from separated employees who have up to one year after separating from their Agencies to apply for Disability benefits, it must try to obtain this information from Agencies, adding additional time to process their disability retirements.

Rules:

- In cases where an individual’s complete OPF is not readily available and records of Federal Employee Group Life Insurance (FEGLI) coverage documentation is not provided, a final IRR should include life insurance coverage information current as of the time of separation. (See [Chapter 81](#) of the CSRS and FERS Handbook on preparing and closing out final IRRs for Disability Retirement, and additional guidance on items to report on final IRRs in [BAL 15-102](#)).
- A separated employee is eligible to continue Basic Life insurance – or have it reinstated - upon approval of a Disability retirement, if he/she meets all of the following requirements:
 - Is entitled to an immediate retirement annuity under a [retirement system](#) for civilian employees;
 - Has been insured for the 5 years of service immediately before the date their annuity starts, or for the full period(s) of service during which they were eligible to be insured if less than 5 years (called the “all opportunity” requirement);
 - Was enrolled in FEGLI on the date of separation.

- Has not converted their life insurance coverage to an individual policy.
- Breaks in service are not counted when determining the 5 years of service requirement (because the individual was not eligible to be enrolled in FEGLI during the break in service)
- If the individual is eligible to continue (or have reinstated) Basic insurance, they are also eligible to continue (or have reinstated) Optional insurance if they meet the same coverage requirements for Optional insurance as those for Basic insurance. For the purpose of continuing insurance as an annuitant, they are not considered to have been eligible for Option C during any period when they had no eligible family members.
- OPM makes the final determination as to whether a separated employee is eligible to continue life insurance coverage as a Disability annuitant.

Action Requested:

- To ensure proper life insurance coverage to retiring employees and to adjust interim annuity payments for necessary insurance withholdings, Agencies, Shared Services Centers and Payroll Offices must include FEGLI enrollment codes on all final separation IRRs (including non-retirement separations).
 - Agencies must report an individual’s life insurance status in the “Remarks” section of the separation IRR as follows:
 - Basic Life: Elected [75 Percent Reduction/50 Percent Reduction/No Reduction]
 - Option A: [Waived/Eligible to continue: coverage began (date)/Not eligible to continue]
 - Option B: [Waived/Eligible to continue: coverage began (date) – number of multiples held during entire last 5 years/Not eligible to continue]
 - Option C: [Waived/Eligible to continue: coverage began (date) – number of multiples held during entire last 5 years/Not eligible to continue] *(See Example 14 for Final SF 3100 and Example 13 for final SF 2806 of Chapter 81 of the CSRS and FERS Handbook).*
-

SUMMITTING COMPLETE DISABILITY RETIREMENT APPLICATION PACKAGES

Problem: OPM is receiving disability application packages without all required accommodation and/or reassignment documentation. Missing documentation further delays the applicant's adjudication of disability benefits.

Rules: In cases when an individual submits a disability retirement application directly to OPM after having been separated from Federal service for a period of 31 days or more, the same documentation requirements apply. The agency must certify to OPM that all reasonable steps were taken to retain the employee in the Federal Service.

- The following required forms should be submitted to OPM for all disability retirement applications:

For CSRS covered employees:

- *Application for Immediate Retirement* - SF 2801
- *Spouse's Consent to Survivor Election* – SF 2801-2 (if applicable)
- *Employee's Statement of Disability* - SF 2824A
- *Supervisor's Statement* - SF 2824B, including the following documents when applicable:
 - Employee's Performance Standards
 - Employee's Position Description
 - Supporting Documentation regarding employee's performance
 - Supporting Documentation regarding employee's leave use
 - Supporting documentation regarding employee's conduct
- *Physician's Statement* (or equivalent) - SF 2824C
- *Agency Certification of Reassignment and Accommodation Efforts* - SF 2824D, including the following documents when applicable:
 - Supporting documentation of Agency's accommodation efforts
 - Supporting documentation of employee's non-reassignment or non-selection
- *Disability Retirement Application Checklist* - SF 2924E

For FERS covered employees:

- *Application for Immediate Retirement* - SF 3107
- *Spouse's Consent to Survivor Election* – SF 3107-2 (if applicable)
- *Employee's Statement of Disability* - SF 3112A
- *Supervisor's Statement* - SF 3112B, including the following documents when applicable:
 - Employee's Performance Standards
 - Employee's Position Description
 - Supporting Documentation regarding employee's performance
 - Supporting Documentation regarding employee's leave use
 - Supporting documentation regarding employee's conduct
- *Physician's Statement* (or equivalent) - SF 23112C
- *Agency Certification of Reassignment and Accommodation Efforts* - SF 3112D, including the following documents when applicable:
 - Supporting documentation of Agency's accommodation efforts
 - Supporting documentation of employee's non-reassignment or non-selection
- *Disability Retirement Application Checklist* - SF 3112E

Actions Required:

- Agencies must document whether the employee's service was deficient and whether accommodation and or reassignment were possible at the time of separation when the Agency expects the former employee to apply for Disability retirement benefits within 1 year after separation.
- Disability retirement applicants that have been separated from Federal Service for more than 31 days must contact their former supervisor and employing agency to complete the *Supervisor's Statement*, *Agency Certification and Reassignment and Accommodations Efforts* form and *Disability Retirement Application Checklist*. These forms must be completed in their entirety and sent back to the applicant before the disability application package is submitted to OPM within 1 year after the date of separation.