



DEPARTMENT OF DEFENSE



Defense Civilian Personnel Advisory Service

Nonappropriated Fund (NAF) Portability of Benefits

Donna Trantum (NAF Policy)



Portability of Benefits between DoD Nonappropriated Fund (NAF) and Civil Service Positions

- Why do DoD Civil Service Human Resources (HR) Specialists need to know about NAF and portability?
 - DoD employees move between NAF and Appropriated Fund (APF) civil service positions.
 - Employees rely on HR Specialists to help them navigate through the move.
 - Portability of benefits between NAF and civil service is complicated.
 - Error corrections are painful for the employee and the HR office.
- What do HR Specialists need to know about NAF and portability?
 - A basic understanding of the benefit protections provided by law, regulation, and policy.
 - Where to find the guidance and help needed to correctly process portability actions and advise employees.

NAF Personnel System

- **What is NAF Employment?**

- NAF employment is considered Federal employment. It is, however, different from Federal civil service employment because the monies used to pay the salaries of NAF employees are not appropriated by Congress.
- Civil service positions are paid with funds appropriated by Congress.
- NAF funds are self-generated by business operations such as restaurants, bowling centers, golf courses, etc.
- NAF employees are not covered by most civil service personnel laws administered by the Office of Personnel Management (OPM).
- NAF service is not considered Federal employment for purposes of receiving civil service credit or benefits unless authorized by law.

NAF Personnel System

- **Who are NAF Employees?**
 - DoD NAF employees are Federal employees, paid from nonappropriated funds.
 - NAF workforce includes white and blue collar workers.
 - Work in a wide variety of jobs, such as sales clerks, recreation assistants, child caregivers, accounting technicians, vehicle operators, club managers, laborers, personnel management specialists, and senior executives.
 - Work in DoD locations all over the world.

NAF Personnel System

- **What do NAF employees do?**
- NAF employees work in a variety of organizations, such as:
 - Bowling Centers
 - Ticket and Tour Offices
 - Base Recreation Areas
 - Golf Courses
 - Auto Skills Centers
 - Fitness Centers
 - Youth Centers
 - Equipment Rentals
 - Base Restaurants
 - Child Development Centers
 - Personnel, Finance & Information Technology Offices
 - Retail

NAF Personnel System

- **Major DoD NAF Employers:**

- Army Family and Morale, Welfare and Recreation (AFMWR)
- Air Force Services
- Commander, Navy Installations Command (CNIC)
- Marine Corps Community Services (MCCS)
- Navy Exchange Service Command (NEXCOM)
- Army and Air Force Exchange Service (AAFES)

NAF Personnel System

- **What are the Demographics of the NAF Workforce?**

U.S. Citizens

109,957

Foreign Nationals

12,070

Total

122,027*

48% - Regular Full-Time (benefits covered positions)
25% - Regular Part-Time (benefits covered positions)
27% - Flexible

- Approximately 787 are off-duty military personnel
- Approximately 123 are deployed civilian personnel

*DMDC data as of January 2018

NAF Personnel System

- The Secretary of Defense has authority for most functional areas of the NAF personnel system.
- DoD NAF policy is published in DoDI 1400.25, Volumes 1401 through 1471.
- NAF white-collar pay, employee benefits, performance pay, employee grievances, classification, leave, and staffing are among the personnel functions regulated by DoD, not by OPM.
- Heads of DoD Components are delegated responsibility for NAF personnel management, consistent with DoD policy.
- Components have flexibility to determine most benefit levels and coverage, except for health benefits.
- A uniform DoD NAF health benefits program covers all DoD NAF employees, regardless of employing Component.

NAF Personnel System

- Two employment categories:
 - Regular (may be continuing or term).
 - Flexible (may be continuing or temporary; may be on an “as-needed” basis).
- NAF white-collar pay:
 - Performance-based payband system.
 - Six bands with minimum and maximum rates of pay.
 - Separate two-band pay system for child care workers.
 - FLSA overtime rules apply for non-exempt employees.
 - Night, Sunday, and holiday pay rules differ from GS.
- NAF blue-collar pay:
 - Covered by Subchapter IV of Chapter 53 of 5 U.S.C.
 - Employees paid at local prevailing rates.
 - Nonsupervisory (NA), leader (NL), and supervisory (NS) wage schedules issued by DCPAS, Wage and Salary Division.

NAF Personnel System

- Severance pay formula differs by Component.
- DoD NAF extends same level of annual and sick leave benefits as civil service.
- Family Medical Leave Act applies to NAF employees; Components have discretion to extend “family friendly” provisions.
- NAF employees are covered by the Longshore and Harbor Workers Compensation Act, not FECA.
- NAF employees are not eligible for FEHBP, FEGLI, or FSAFEDS.
- NAF personnel and payroll systems are all different.
 - Only Army and Air Force use DCPDS.
 - NAF Official Notification of Personnel Actions are different from the civil service SF-50 form.

NAF Personnel System

- **What are the NAF Benefits Programs***

- Retirement Plan
- 401(K) Plan
- Group Life Insurance
- DoD NAF Health Benefits Program
- Flexible Spending Accounts
- Federal Long Term Care Insurance Program
- Short Term Disability
- Long Term Disability
- Personal Accident Insurance
- Travel Accident Insurance

* Benefits programs may vary depending on the Component

NAF Retirement Plans

- **What are the NAF Retirement Plans?**
 - There are six NAF retirement plans:
 - U.S. Army Non-Appropriated Fund Retirement Plan
 - Air Force NAF Retirement Plan
 - Retirement Plan for Civilian Employees of United States Marine Corps Community Service Activities, The Personal & Family Readiness Division and Miscellaneous Nonappropriated Fund Instrumentalities
 - Commander, Navy Installation Command (CNIC) Retirement Plan
 - Navy Exchange Service Command Retirement Plan
 - Retirement Annuity Plan for Employees of Army and Air Force Exchange Service

NAF Retirement Plans

- Each plan has different employee and employer contributions.
- Some plans provide military service credit; all allow for sick leave credit.
- Pension formula varies among plans; high-3 may or may not include bonuses.
- The plans have different eligibility requirements for RFT and RPT.
- COLA percentage varies; most plans have social security offset.
- 401(k) plans have different employer matching funds, vesting, loan program and Third Party Administrators.

Portability of Benefits Laws

POB Public Law 99-638 (1986):

- Provides CSRS credit for certain NAF service performed after June 18, 1952 and before January 1, 1966.

POB Public Law 101-508 (1990):

- Provides pay and benefit protection.
- Covers moves within DoD on or after January 1, 1987 without a break of more than 3 days.
- Permits vested employees to remain in previous employer's retirement system.

POB Public Law 104-106 (1996):

- Covers moves between DoD or Coast Guard NAF and civil service positions in any agency
- Covers moves where break in service is 1 year or less.
- Allows certain FERS and NAF employees moving on or after January 1, 1966 and before August 10, 1996 to make retroactive elections to combine service.

Portability of Benefits Laws

POB Public Law 107-107

- Section 1131 of the Defense Authorization Act for FY02, P.L. 107-107.
 - Permits employees to elect to remain in losing employer's retirement system, even if not vested.
 - Applies to employees moving after December 28, 2001.

Portability of Benefits Laws

POB Public Law 107-107

- Section 1132 of the Defense Authorization Act for FY02, P.L. 107-107.
 - Permits CSRS and FERS employees to use prior NAF service to qualify for an immediate retirement.
 - Credit for NAF service **will not** result in a higher CSRS or FERS annuity benefit.
 - NAF service used for CSRS or FERS credit cannot be credited for any purpose under a NAF retirement system.
 - Available only to those who do not qualify for immediate retirement without NAF service.
 - Election is made at time of retirement.

Portability of Benefits Laws

- Portability law is codified in 5 USC.
- Portability regulations and policy are in:
 - 5 CFR (see in particular Part 847, “Elections of Retirement Coverage by Current and Former Employees of Nonappropriated Fund Instrumentalities”).
 - DoDI 1400.25.
- Portability guidance is available in OPM Benefits Administration Letters (BALs) and in the DCPAS “Portability of Benefits Reference Guide.”
- Portability eligibility requirements differ for retirement and non-retirement benefits:
 - Retirement election – break in service of no more than one year and movement between any agency (P.L. 107-107).
 - Non-retirement benefits – break in service of no more than 3 days and movement must be within DoD (P.L. 101-508).

Moving Between NAF and APF

- P.L. 101-508 authorized creation of an interchange agreement between DoD NAF and OPM civil service.
- The DoD-OPM Interchange Agreement:
 - Permits noncompetitive movement.
 - Treated as a transfer of a competitive service employee.
 - Not the same treatment as an internal DoD competitive service candidate.
 - Permits credit for NAF service towards civil service career tenure.
 - Does not by itself convey portability of pay and benefits.
- Interchange Agreement requires:
 - Employee move between positions that are not time-limited.
 - Employee have at least one year of continuous service prior to move.
 - Employee have a break in service of no more than 1 workday, or have been involuntary separated within one year prior to move.
- Employees moving between NAF and APF may be appointed using the DoD/OPM Interchange Agreement, or any other valid appointing authority.

Portability of Retirement Coverage

- **Retirement Coverage Election:**
 - Employees may elect to retain coverage in their current retirement system; or enter the gaining employer's retirement system with no transfer of service credit.
 - Employee has 30 days to make an election.
 - Retirement election is a one-time opportunity.
 - Election decision is irrevocable.
- **Eligibility Requirements:**
 - No prior opportunity to retain coverage in that retirement system.
 - Move from a retirement-covered position to a retirement-covered position.
 - Move without a break in service of more than one year.

Portability of Retirement Coverage

- One-time Opportunity:
 - Movement from NAF to APF: one opportunity to remain in the NAF retirement plan as a civil service employee.
 - Movement from APF to NAF: one opportunity to remain in CSRS/FERS as a NAF employee.
- Employees who elect not to remain in previous retirement system enter the gaining employment system's retirement plan.
- Employees who elect to continue their retirement coverage remain in that system for all future periods of NAF or civil service Federal service.

Portability of Retirement Coverage

- Retirement system election determines TSP or NAF 401(k) coverage:
 - Employees in CSRS or FERS may participate in TSP; they may not participate in the NAF 401(k).
 - Employees in a NAF retirement plan may participate in the NAF 401(k) plan; they may not participate in TSP.

Portability of Benefits other than Retirement

- Eligibility requirements for non-retirement portability are different from those of retirement portability.
- P.L. 101-508 provides pay and benefit protection:
 - Move must be between DoD positions.
 - Move must be made without a break in service of more than 3 days.
- Portability entitlements in 5 USC and 5 CFR; DoD policy in DoDI 1400.25.
- Reference guide on portability of benefits on DCPAS website.

Portability of Benefits other than Retirement

- For pay and non-retirement benefit protection, move must be between DoD positions and without a break in service of more than 3 days.
- Some non-retirement benefits are treated differently if the employee is moved involuntarily.
 - Voluntary move — employee initiates move.
 - Involuntary move — employer requires move.
- Rate of basic pay:
 - Involuntary moves to a civil service position – employee’s last rate of basic pay is protected.
 - Voluntary moves to a civil service position – highest previous rate of pay or maximum payable rate rule may be considered.

Portability of Benefits other than Retirement

- Grade and pay retention: Provided for involuntary moves, where applicable.
- Civil service within-grade step increases: NAF service credited for purposes of civil service waiting periods.
- Civil service time-in-grade: NAF service credited towards time-in-grade requirements.
- Severance pay:
 - Service credited for NAF and civil service severance pay purposes.
 - Severance pay not authorized at the time of move.
 - APF severance pay entitlement resumes if employee is later involuntarily separated from NAF.

Portability of Benefits other than Retirement

- Annual, sick, and home leave:
 - Service credited towards leave accrual.
 - Leave balances transfer. No lump sum payment to employees, or transfer of funds between employers.
- Travel, transportation, and relocation: Expenses and allowances authorized in same manner as for transferred employees.
- Civil service Reduction in Force (RIF) actions and NAF Business Based Action (BBA) purposes: Service credited.

Key Human Resource Office (HRO) Responsibilities

- Appointing HRO (civil service or NAF)
 - Reviews employee's OPF to (1) identify prior service that may qualify the employee for portability of benefits, and (2) determine if employee made a previous retirement portability election.
 - Documents employee's eligibility for portability on personnel forms and retirement election form.
 - Provides the employee with portability of benefits information; coordinates with former employment system's HRO and retirement benefit staff.
 - Coordinates with payroll and retirement benefit staff to ensure contributions and deductions are correctly coded and submitted to the right retirement system.
 - Ensures leave balances transfer, appropriate service credit is provided, and employee's Merged Record Personnel Folder is complete.

Key Human Resource Office (HRO) Responsibilities

- Losing (Separating) HRO (civil service or NAF)
 - Documents employee's personnel action indicating movement to the other employment system.
 - Coordinates with payroll and gaining HRO to transfer leave balances, preventing erroneous payout of annual leave.
 - Coordinates with gaining HRO to transfer records, document portability of benefits eligibility, and advise employee.
 - The losing HRO does not provide the employee with a retirement coverage election; that is the appointing HRO's responsibility.

Where to Find Help?

- DCPAS Portability of Benefits Reference Guide, found on the DCPAS website at: <https://www.cpms.osd.mil/Content/Documents/Portability-of-Benefits-Reference-Guide.pdf>.
- Reference Guide contains:
 - Summary of public laws, regulations, policy, and references.
 - Summary of key HRO responsibilities.
 - Appointment and separation processing guidance.
 - Retirement election forms and guidance.
 - Guidance for processing retirements for employees who retained NAF retirement coverage.
 - Points of contact addresses and phone numbers.
 - Frequently Asked Questions.
- A Working Group composed of Component representatives is developing additional guidance and tools.

Questions?
