

**Paid Time Off Treatment upon Separation and Retirement FAQs regarding
Employees Participating in the Deferred Resignation Programs and/or
Voluntary Early Retirement Authority/Voluntary Separation Incentive
Payment Authority, or Affected by a Reduction in Force
for Employing Agency HR & Benefit Offices**

Q: What happens to an employee's annual leave balance (including any restored annual leave balance) upon separation or retirement?

A: Upon separation or retirement, an employee's annual leave balance (including any restored annual leave) is paid out in a lump-sum payment equal to the pay the employee would have received had the employee remained employed until expiration of the period covered by the annual leave, including pay adjustments if applicable ([5 CFR 550.1203\(a\)\(1\) and \(2\)](#), [5 CFR 550.1204](#), and [5 CFR 550.1205](#)).

Q. What happens if an employee who received an annual leave lump-sum payment is reemployed?

A: Generally, if the employee is reemployed in the Federal Government during the lump-sum leave period, the employee must refund to his/her current employing agency the portion of the lump-sum payment that represents the period between the date of reemployment and the expiration of the lump-sum period ([5 CFR 550.1206](#)). Once the full refund is received, the agency must recredit the employee with annual leave equal to the days or hours of work remaining between the date of reemployment and the expiration of the lump-sum leave period ([5 CFR 550.1207](#)). However, any restored leave included in a lump-sum payment is not subject to refund when an employee is reemployed during the lump-sum period. Thus, when an employee's lump-sum payment included restored leave, the refund amount owed by the employee is calculated based on hours remaining after subtracting from the total hours for the original lump-sum period (1) hours of restored leave and (2) any other hours covering the portion of the lump-sum period prior to the date of reemployment. If an employee is reemployed outside the lump-sum leave period, the employee does not refund the lump-sum payment and annual leave is

not recredited to the employee ([5 CFR 550.1206](#)). (And see, [Lump-Sum Payments for Annual Leave fact sheet](#)).

Q: What happens to an employee's sick leave balance upon separation or retirement?

A: The sick leave balance remains to the employee's credit upon separation. If the employee's separation is a result of an immediate retirement or death in service, any remaining sick leave will be used in the calculation of the employee's or survivor's annuity. [5 CFR 630.407](#)). If the employee is reemployed, the sick leave may be recredited if it was not used in the computation of an annuity. ([5 CFR 630.502\(b\)](#)). Employees unused sick leave may not be included in any lump-sum payment.

Q: What happens to an employee's outstanding advanced annual leave or advanced sick leave indebtedness upon separation or retirement?

A: An advanced leave indebtedness must be refunded by the employee upon separation or retirement, or the agency may deduct that amount from any pay due the employee upon separation or retirement ([5 CFR 630.209\(a\)](#)). However, if the employee dies, retires for disability, or is separated or resigns because of disability, the repayment requirement does not apply. The agency determines whether an employee has separated or resigned because of disability ([5 CFR 630.209\(b\)\(3\)](#)).

Q: What happens to an employee's outstanding disabled veterans leave (DVL) balance upon separation or retirement?

A: The disabled veterans leave (DVL) balance remains to the employee's credit upon separation or retirement during the employee's 12-month DVL eligibility period. If the employee is reemployed in the Federal Government during this eligibility period, the DVL balance is recredited ([5 CFR 630.1308\(d\)](#)). If the employee is not reemployed within this eligibility period, the balance is

forfeited. Unused DVL may not be included in any lump-sum payment due to the employee ([5 CFR 630.1308\(e\)](#)).

Q: What happens to an employee’s donated leave balance received under a voluntary leave bank program (VLBP) or voluntary leave transfer program (VLTP) upon separation or retirement?

A: The employee’s donated annual leave balance received under a VLBP or a VLTP is returned to the leave bank or leave donor(s), respectively, upon separation or retirement because the employee’s medical emergency terminates (for VLBP or VLTP purposes) when the employee separates from Federal service ([5 CFR 630.1010\(a\)](#) and [\(b\)](#) and [5 CFR 630.910\(a\)\(1\)](#) and [\(c\)](#)). Unused donated annual leave may not be included in the employee’s lump-sum payment for annual leave or be recredited if the employee is later reemployed ([5 CFR 630.1009\(e\)](#) and [5 CFR 630.909\(e\)](#)).

Q: What happens to an employee’s donated annual leave received under an Emergency Leave Transfer Program (ELTP) upon separation or retirement?

A: Unused donated annual leave under an ELTP is returned to the source of the donation—i.e., the leave donors or the leave bank, as applicable, upon separation or retirement because the disaster or emergency affecting the employee terminates (for ELTP purposes) when the employee separates from Federal service ([5 CFR 630.1116\(b\)](#) and [5 CFR 630.1117\(a\)](#)). Unused donated annual leave under an ELTP may not be included in an employee’s lump-sum payment for annual leave or recredited to an employee who is later reemployed ([5 CFR 630.1115](#)).

Q: What happens to an employee’s unused paid parental leave (PPL) balance upon separation or retirement?

A: Any paid parental leave (PPL) balance remains to the employee’s credit upon separation or retirement during the employee’s 12-month eligibility period after the

qualifying birth or placement. If the employee is reemployed in the Federal Government during this eligibility period, the PPL balance is recredited. If the employee is not reemployed within this eligibility period, the balance is forfeited. Unused PPL may not be included in any lump-sum payment due to the employee upon separation or retirement ([5 CFR 630.1703\(g\)](#)).

Q: What happens to an employee's military leave balance under 5 U.S.C. 6323(a) upon separation or retirement?

A: A military leave balance under [5 U.S.C. 6323\(a\)](#) is forfeited upon separation or retirement. If the employee is reemployed in the Federal Government during the same or immediately succeeding fiscal year in which the employee separated or retired, the gaining agency recredits to the employee any military leave under section 6323(a) to which the employee is entitled at the time of reemployment. If the employee is not reemployed during the same or immediately succeeding fiscal year in which the employee separated or retired, there is no authority to recredit the military leave if the employee returns to Federal employment at a later date. Unused military leave under section 6323(a) may not be included in any lump-sum payment due the employee upon separation or retirement.

(Note: Military leave under [5 U.S.C. 6323\(b\) and \(d\)](#) is only provided to an employee on an as-needed basis, so there is no balance when the employee separates or retires. If the employee is reemployed in the Federal Government during the same calendar year, the gaining agency applies any hours used against the employee's current calendar year limitation. There is a 22-day limitation under section 6323(b) per calendar year and a 44-day limitation under section 6323(d) per calendar year).

Q: What happens to an employee's home leave balance upon separation or retirement?

A: The home leave balance remains to the employee's credit for 90 days after separation. If the employee is reemployed within 90 days, the balance is recredited. ([5 CFR 630.607](#)) If the employee is not reemployed within 90 days,

the balance is forfeited. Unused home leave may not be included in any lump-sum payment ([5 U.S.C. 6305\(a\)\(3\)](#)).

Q: What happens to an employee's parental bereavement leave balance upon separation or retirement?

A: Any unused parental bereavement leave balance remains to the employee's credit upon separation during the employee's 12-month eligibility period after the date of the death of a son or daughter. If the employee is reemployed during this eligibility period, the bereavement leave balance is recredited. If the employee is not reemployed within this eligibility period, the balance is forfeited. Unused parental bereavement leave may not be included in any lump-sum payment (See <https://chcoc.gov/sites/default/files/parental-bereavement-leave->).

Q: What important leave-related documents should an employee keep upon separation or retirement?

A: When separating from Federal service, employees should keep a copy of their final leave and earnings statement (LES) and request from their agency a copy of their SF 1150, Record of Leave Data upon Separation or Transfer. These documents can be used to substantiate an employee's leave balances if for any reason the agency's copies of the employee's records cannot be located.

Q: What happens to an employee's unused credit hour balance under 5 U.S.C. 6126(b) upon separation or retirement?

A: A full-time employee who separates or retires will be paid for a maximum of 24 unused credit hours at his or her current rate of basic pay when Federal employment ends ([5 U.S.C. 6126\(b\)\(1\)](#)). A part-time employee who separates or retires receives basic pay for unused credit hours that are not in excess of one-fourth of the hours in the employee's biweekly basic work requirement ([5 U.S.C. 6126\(b\)\(2\)](#)).

Q: What happens to the unused compensatory time off for a Fair Labor Standards Act (FLSA) exempt employee upon separation or retirement?

A: Unused compensatory time off under 5 U.S.C. 5543 for an FLSA-exempt employee may be (1) paid to the employee upon separation or retirement or (2) forfeited, depending on the agency's policy ([5 CFR 550.114\(f\)](#)). Unused compensatory time off hours must be paid out if the employee separates due to uniformed service or compensable workplace injury ([5 CFR 550.114\(f\)\(2\)](#)). Any payment provided is at the overtime rate in effect when the hours were earned ([5 CFR 550.114\(g\)](#)).

Q: What happens to the unused compensatory time off for a Fair Labor Standards Act (FLSA) nonexempt employee upon separation or retirement?

A: Unused compensatory time off for an FLSA-nonexempt employee must be paid out upon separation or retirement at the overtime rate in effect when the hours were earned ([5 CFR 551.531\(d\)](#) and [5 CFR 551.531\(g\)](#)).

Q: What happens to an employee's unused compensatory time off for travel upon separation or retirement?

A: Compensatory time off for travel is typically forfeited upon separation or retirement (with certain exceptions for employees who separate to perform uniformed service or due to compensable workplace injury) ([5 CFR 550.1407\(a\)\(2\) and \(c\)](#)).

Q: What happens to an employee's unused compensatory time off for religious observances upon separation or retirement?

A: Religious compensatory time off hours earned but not yet used must be paid out upon separation or retirement at the hourly rate of basic pay in effect at the time the hours were earned ([5 CFR 550.1008\(a\)](#)).

Q: What happens if an employee has used religious compensatory time off hours, but not yet earned those hours prior separation or retirement?

A: Religious compensatory time off hours used but not earned prior to separation or retirement create an indebtedness of the employee to his or her agency. The agency must take corrective action to recoup the indebtedness for any advanced hours of religious compensatory time off. The losing agency may reduce or eliminate the debt owed by a charge to the employee's annual leave, earned credit hours, compensatory time off in lieu of regular overtime pay, compensatory time off for travel, or time-off awards, based on agency policy. Any remaining negative balance must be charged to leave without pay and the resulting indebtedness is subject to the agency's debt collection procedures ([5 CFR 550.1008](#)).

Q: What happens to an employee's unused time off award upon separation or retirement?

A: Unused time-off awards are forfeited upon separation or retirement. Time-off awards may not be converted into cash payments ([5 U.S.C. 4502\(e\)](#) and [5 CFR 451.104\(f\)](#)).