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2022 DoD VIRTUAL BENEFITS & WORK-LIFE SYMPOSIUM



Nonappropriated Fund (NAF) Personnel System & Portability of Benefits for Moves between Civil Service and NAF Employment Systems

LaShawna D. Jordan | 29 September 2022

WHO ARE NAF EMPLOYEES?

- DoD NAF employees are Federal employees but are not covered by most laws regulated by Office of Personnel Management (OPM), (5 U.S.C. 2105(c)).
- 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.
- NAF blue-collar pay:
 - Covered by Subchapter IV of Chapter 53 of 5 U.S.C.
- Two employment categories:
 - Regular (full-time or part-time; may be continuing or term).
 - Flexible (may be continuing or temporary; may be on an “as-needed” basis).
- Workforce reductions occur through business-based actions.
- NAF benefits differ from civil service; DoD has authority.

NAF PERSONNEL SYSTEM

- Heads of DoD Component NAF employers are delegated responsibility for NAF personnel management, consistent with DoD policy.
- DoD Component NAF employers have the flexibility to determine most benefit levels and coverage, except for health benefits.
- DoD NAF administratively extends the same level of annual and sick leave benefits as civil service employees under Title 5.
- Family Medical Leave Act applies to NAF employees; DoD Component NAF employers 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.
- A uniform DoD NAF health benefits program covers DoD NAF employees, regardless of employing Component.

NAF PERSONNEL SYSTEM

WHAT IS NAF EMPLOYMENT?

- NAF employment is considered Federal employment. However, it is different from Federal civil service employment because the monies used to pay the salaries of NAF employees are not appropriated by Congress.
- NAF funds are self-generated by business operations such as restaurants, bowling centers, golf courses, etc.

WHO ARE THE MAJOR DOD NAF EMPLOYERS?

- Army - Family and Morale, Welfare and Recreation
- Air Force Services - Morale, Welfare and Recreation
- 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 NAF BENEFITS PROGRAMS?*

- Defined Benefit Retirement Plan (6 different ones)
- 401(K) Defined Contribution Plans (6 different ones)
- Group Life Insurance
- DoD NAF Health Benefits Program
 - Is a uniform program required by law
 - Is a self-insured medical plan which covers employees, retirees, and their dependents
 - Offers a high Deductible Health Plan with Health Savings Account
 - Offers a Medicare Advantage with Prescription Drug Plan for retirees and their eligible dependents
 - Provides medical, dental, and vision benefits
- 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 DoD NAF Component employer.

NAF PERSONNEL SYSTEM

WHAT ARE THE SIX DOD NAF RETIREMENT PLANS?*

- U.S. Army NAF Retirement Plan
- U.S. Air Force NAF Retirement Plan
- Retirement Plan for Civilian Employees of United States Marine Corps Community Service Activities
- Commander, Navy Installation Command (CNIC) Retirement Plan
- Navy Exchange Service Command (NEXCOM) Retirement Plan
- Retirement Annuity Plan for Employees of Army and Air Force Exchange Service (AAFES) with a supplemental retirement plan for their NAF senior executives

*The six defined benefit pension plans are each administered separately.
Contribution levels and benefits vary by the DoD NAF Component.

NAF PERSONNEL SYSTEM

DoD NAF WORLD-WIDE WORKFORCE: 96,275*

*DMDC data as of April 2022

NAF WORKFORCE DEMOGRAPHICS



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QUESTIONS?

WHAT IS PORTABILITY?

- Portability refers to the ability to retain certain benefits or receive service credit when moving between civil service positions and NAF.
- Within the Federal government retirement portability refers to the ability of employees participating in a civil service or NAF retirement system to remain in that system when moving to a retirement-covered position in the other employment system within a specified period of time.
- Portability of benefits between civil service and NAF is complex.

WHY DO CIVIL SERVICE HUMAN RESOURCES (HR) PROFESSIONALS NEED TO KNOW ABOUT NAF AND PORTABILITY?

- DoD employees move between civil service and NAF positions.
- The gaining employer is responsible for properly counseling and providing elections opportunities to eligible employees who make a qualifying move.
- Error corrections can be costly to the employee and the agency; can also lead to grievances and legislative Congressionals.

WHAT DO HR PROFESSIONALS NEED TO KNOW ABOUT NAF AND PORTABILITY?

- A basic understanding of the benefit entitlements provided by law, regulation, and policy.
- Where to find the guidance and help needed to correctly process portability actions and advise employees.
- NAF personnel and payroll systems are all different:
 - Only Army and Air Force use DCPDS; only Army is serviced by DFAS.
 - NAF Official Notification of Personnel Action forms are different from the civil service SF-50 form.
 - Retirement codes in DCPDS are unique to each NAF retirement plan.

**PORTABILITY OF BENEFITS FOR MOVES BETWEEN
CIVIL SERVICE AND NAF EMPLOYMENT SYSTEMS**



PUBLIC LAW 99-638 (1986)

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

PUBLIC LAW 101-508 (1990)

- Provides pay and benefit protection - ***moves must be between DoD positions.***
- 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.

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.

PUBLIC LAWS PORTABILITY OF BENEFITS



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**.
- Covers moves when a break in service is 1 year or less.

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. Credit will also be cost neutral to the Government.
- 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 to use NAF service is made at time of retirement.

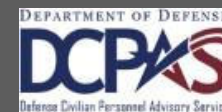
PUBLIC LAWS
PORTABILITY OF BENEFITS



- Portability law is codified in 5 USC.
- Portability regulations and policy are in:
 - 5 CFR (Part 847, “Elections of Retirement Coverage by Current and Former Employees of Nonappropriated Fund Instrumentalities”).
 - DoD Instruction 1400.25, “DoD Civilian Personnel Management System”.
- Portability guidance is available in OPM Benefits Administration Letters (BALs) – 96-107, 96-108, 02-102, and 03-102; and in the DoD DCPAS “Portability of Benefits Reference Guide,” February 26, 2021.
- Portability eligibility requirements differ for retirement and non-retirement benefits:
 - Non-retirement benefits – break in service of no more than 3 days and movement to a covered position **must be within DoD** (P.L. 101-508).
 - Retirement election – break in service of no more than 1 year and movement between a covered position in any agency (P.L. 107-107).

PUBLIC LAWS AND POLICY

PORTABILITY OF BENEFITS



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 from date of appointment:
 - RI 38-134 election to retain NAF retirement coverage.
 - RI 38-144 election to retain CSRS/FERS coverage.
- Retirement election is a one-time opportunity in each direction.
- ***Election decision is irrevocable*** regardless of future moves between NAF and civil service employment, breaks in service, and changes in retirement status.

ELIGIBILITY REQUIREMENTS

- No prior opportunity to retain coverage in that retirement system.
- Move from a retirement-covered position to a retirement-covered position. (The term *retirement-covered position* means that the employee is an active participant in the retirement plan covering the employee at the time of the qualifying move.)
- Move without a break in service of more than 1 year.

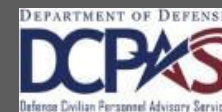
PORTABILITY RETIREMENT COVERAGE



ONE-TIME OPPORTUNITY

- ✓ **Movement from NAF to civil service:** one opportunity to remain in the NAF retirement plan as a civil service employee.
- ✓ **Movement from civil service 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 service or civil service.
- 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.
 - The retirement RI form is not the enrollment form for the 401(k) plan; contact the NAF HRO for the 401(k) enrollment instructions.

PORTABILITY RETIREMENT COVERAGE



- Moves 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:
 - VOLUNTARY MOVES** to a civil service position — highest previous rate of pay or maximum payable rate rule may be considered.
 - INVOLUNTARY MOVES** to a civil service position — employee's last rate of basic pay is protected.
- Grade and pay retention is 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.

PORTABILITY OF PAY & NON-RETIREMENT BENEFITS



SEVERANCE PAY

- Service credited for NAF and civil service severance pay purposes.
- Severance pay not authorized at the time of move.
- Civil service severance pay entitlement resumes if employee is later involuntarily separated from NAF.

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.

PORTABILITY OF PAY & NON-RETIREMENT BENEFITS



APPOINTING HRO (CIVIL SERVICE OR NAF)

- Review 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.
- Document employee's eligibility for portability on personnel forms and retirement election form.
- Provide written notice to employee explaining options and election form RI 38-134/144 – document in OPF that employee received election form; coordinate with former employment system's HRO and retirement benefit staff.
- Ensure a copy of the election form is forwarded to the losing agency.
- Coordinate with payroll and retirement benefit staff to ensure contributions and deductions are correctly coded and submitted to the right retirement system.
- Ensure leave balances transfer, appropriate service credit is provided, and employee's Merged Record Personnel Folder is complete.
- When errors occur, the HRO must take an active role to ensure corrections are made.
- Answer employees questions to retain retirement coverage.

HUMAN RESOURCE OFFICE (HRO) RESPONSIBILITIES



DoD NAF FORMS EQUIVALENT TO THE CIVIL SERVICE SF-50

- Department of Army Form DA 3434
- Department of Air Force Form AF 2545
- U.S. Marine Corps Form NAF-MCCS 500
- Commander, Navy Installations Command CNIC Personnel Action Report
- Navy Exchange Service Command NX-129
- Army and Air Force Exchange Service AAFES Exchange Form 1200-100

RETIREMENT SYSTEM CODE IS “5-OTHER RETIREMENT SYSTEMS”

NAF SUB-CODES ARE AS FOLLOWS:

- 5A = Department of Army
- 5B = CNIC
- 5C = NEXCOM
- 5D = Department of Air Force
- 5E = U.S. Marine Corps
- 5F = AAFES
- 5G = Coast Guard which is a part of Homeland Security

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.
- Error Correction – collaborates and takes an active role in assisting to resolve errors.

HUMAN RESOURCE OFFICE (HRO) RESPONSIBILITIES



DoD DCPAS PORTABILITY OF BENEFITS REFERENCE GUIDE, found on the DCPAS website

[DPCAS Portability of Benefits Reference Guide Final February 26 2021 update.pdf \(osd.mil\)](#)

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.

Memorandum of Understanding: Merged Records Personnel Folder, found on the DCPAS website

[MOU DCPAS OPM NARA 10292020 SIGNED.pdf \(osd.mil\)](#)

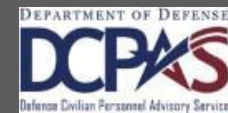
Portability of Benefits Toolkit, found on the DCPAS website

[DOD Portability of Benefits-Nonappropriated Fund-Policy | DCPAS \(osd.mil\)](#)

For inquiries about NAF retirement and benefits: dodhra.mc-alex.dcpas.mbx.naf@mail.mil

For inquiries about civil service retirement and benefits: dodhra.mc-alex.dcpas.mbx.benefits-contacts@mail.mil

RESOURCES
WHERE TO FIND HELP





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