

FERS Retirement Code Error Summary Sheet

A review of your civilian employment record shows an incorrect retirement code requiring an increase in the contribution percentage in your FERS payday deduction.

BACKGROUND: The Federal Employee Retirement System (FERS) has three programs, each dependent on when an employee begins working for the federal government. The three programs are described in more detail in the provided Frequently Asked Questions.

For most employees affected by this issue, past retirement contributions have been made in percentages below that required of the corrected retirement code. This situation will result in a debt currently being computed by DFAS civilian pay offices. At this time, retirement codes have been corrected in your personnel file. The correction of your FERS retirement code will result in an adjustment to your pay due to an increase in your retirement contribution deduction.

In addition, your pay records are under review to identify and confirm any overpayments cause by under contributions for your corrected retirement system. We anticipate this process will take several months. As your record review is completed, a debt notification letter will be sent to you with instructions for repayment as well as information regarding filing a contest of the validity or amount of the debt, and your right to file a waiver of the debt. Contesting the debt or waiver requests CANNOT be filed until you have received an official debt notification letter from DFAS.

The change in your pay should NOT be mistaken as debt collection. A six-month pause in FERS retirement code debt collection has been approved giving you additional time to compile and submit a waiver request before collection begins. The pause commences once a debt notification letter is mailed to you. Should you choose to submit a waiver request, debt collection will remain paused until an initial decision is made on your request. You will receive a FERS Retirement Code Waiver Guide which, with the FAQs, will assist with your waiver request if you choose to submit.

WHAT TO EXPECT NEXT

- Read all official correspondence, including the Waiver Guide and below FAQs thoroughly.
- If you are considering filing a Waiver Request, familiarize yourself with the Waiver Guide which will be sent once debt notification letters are being prepared. It is recommended you begin compiling the necessary documents you will need for your waiver request package (i.e., copies of LES, SF-50, etc.). Save these and other associated forms and information you may need during the waiver request process. *It is important to note that the debt collection pause in effect is not an indication of waiver approval success; it is intended to give you time to file a waiver if desired.*
- Your corrected retirement code will reduce future take home pay. We recommend you make necessary adjustments in your budget to avoid any complications.
- Check your myPay account regularly. While the debt notification letter will be sent via the postal system, a copy of the letter and some other correspondence may be delivered via myPay.



FERS Retirement Code Errors Frequently Asked Questions

Defense Finance & Accounting Service

Adapted for Agency-wide Use. Revised October 31, 2023

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IMPORTANT NOTICE:

Correction of your FERS retirement code will result in an adjustment of your contribution deduction. The change in your pay should NOT be mistaken as debt collection. A six-month pause in FERS retirement code debt collection has been approved giving you additional time to compile and submit a waiver request before collection begins. The pause commences once a debt notification letter is mailed to you. Should you choose to submit a waiver request, debt collection will remain paused until an initial decision is made on your request.

You will receive a FERS Retirement Code Waiver Guide which, with the FAQs, will assist with your waiver request.

Background / General

1. How was the retirement contribution error discovered?

Beginning in December 2021, a DoD-wide retirement coding error was discovered which indicated some employees were coded under the wrong Federal Employees' Retirement System (FERS) category. Subsequent queries confirmed a significant number of employees across the Department were assigned incorrect FERS retirement codes resulting in over or under contributions to their retirement system. These coding errors caused some employees to incur a debt (under contribution) or be owed money (over contribution). Determinations in each case were reached through a review of each individual's employment records.

2. What are the different FERS retirement plans and how do they differ?

There are three different FERS retirement plans. FERS plan determinations are normally based on the date of the employee's initial appointment. The FERS plan controls the employee's retirement contribution rate. The FERS retirement code is in block 30 on the Standard Form 50 (SF-50), and in the deductions section of the Leave and Earnings Statement (LES).

- a) **Federal Employees Retirement System (FERS):** Generally covers employees appointed 1 January 1984 through 31 December 2012. The FERS employee contribution rate is 0.8% of basic pay. Retirement Code K.
- b) **FERS - Revised Annuity Employees (FERS-RAE):** Covers employees appointed 1 January 2013 through 31 December 2013. The FERS-RAE employee contribution rate is 3.1% of basic pay. Retirement Code KR.
- c) **FERS - Further Revised Annuity Employees (FERS-FRAE):** Covers employees appointed 1 January 2014 to present. The FERS-FRAE contribution rate is 4.4% of basic pay. Retirement Code KF.

3. What is the impact of these coding errors on the identified employees?

In the majority of cases, the retirement coding errors caused employee underpayment of retirement contributions and overpayment of salary. This overpayment of salary will result in an indebtedness for the impacted employees. The amount of debt owed by each employee will be determined by the Defense Finance and Accounting Service (DFAS). DFAS will notify employees of the exact amount owed after completing an audit of the employee's pay record. This notification is referred to as the "DFAS debt notification letter" or "debt letter". The debt letter is the employee's official notification of the debt for collection purposes.

4. I was hired several years ago. Why did it take so long to discover this error?

The primary reason the error was not discovered sooner is because a quality control report relied upon to ensure code accuracy was programmed incorrectly which prevented these coding errors from being identified earlier.

5. I received a debt notification letter but have transferred to another federal government agency not serviced by DFAS (or have resigned/retired from government service). Can I still file a waiver request?

Yes, you can file a waiver request in accordance with the FERS Retirement Code Error Waiver Guide. DFAS will assure that the debt collection pause is applied to your request. If the waiver is approved, your debt will be considered paid in full. If only partially approved or denied in full, DFAS will initiate collection efforts.

6. What is being done to hold the employees responsible for these errors accountable?

The retirement coding errors occurred when Human Resources (HR) Offices input incorrect codes to some employee records after the FERS rules changed in 2013 and 2014. The errors then flowed to employee payroll records. Human Resources Offices are working with DFAS Civilian Pay to communicate with impacted employees and to correct reporting and control deficiencies. Further, HR Offices are mandating additional training for all staff members responsible for retirement coding and have made modifications to the faulty quality control report to ensure it is catching retirement code errors.

7. When will my HR office correct my retirement code and how will it affect my pay?

HR will begin processing retirement code correction actions June 26, 2022. We anticipate completing all correction actions by June 27, 2022. After correction to your retirement code is processed, the correct FERS contribution amount will be deducted from your pay going forward starting the pay period the correction is made. See FAQ #2 for contribution amounts.

8. I worked for another agency prior to my current job. Did my prior agency also code me incorrectly? How does my prior agency's error get corrected?

If the coding error pre-dates your current employment, HR will contact your previous agency to inform them your prior record needs review and possible correction.

9. Will this debt affect my credit?

No. DFAS will not report your debt to the credit reporting bureaus unless you are required to start making payments on the debt and you fail to do so.

10. Do I need to report this debt to my security office? Will this debt affect my security clearance?

No. Only delinquent debts are required to be reported to your security office. The debt should have no impact on your security clearance as long as it does not become past due. The term "delinquent debt" means a debt that you have failed to make the required payments on.

11. Will the retirement coding error cause me to owe taxes for this year (2022) or for prior years?

No. There are no tax consequences because FERS deductions are taken **after** tax.

12. Will the retirement coding error cause Thrift Savings Plan (TSP) indebtedness too?

No. TSP contributions are not mandatory; therefore, the retirement coding error will not generate a debt to TSP. However, auto-enrollment in TSP is mandatory for all FERS-RAE & FERS-FRAE employees. Newly-enrolled employees may terminate TSP enrollment at any time, to include the first pay period enrollment begins. There is also no impact to any employee designated TSP contributions that are already in place.

Debt Management

13. When can I expect to receive my debt letter from DFAS?

Once your HR office enters the correction to your retirement code into the Defense Civilian Personnel Data System (DCPDS), DFAS Civilian Pay Offices will review your pay records to determine the total amount of your debt. You will receive your debt letter after DFAS review of your record is complete.

14. How will I receive my debt letter?

DFAS will upload debt letters to the myPay accounts of all impacted employees who have active myPay accounts. Employees can login to myPay and view the debt letter under the “Statements” section on the right-hand side of the page by clicking on “Debt Letters”.

All impacted employees will also receive official notice by U.S. mail to your address of record. Please ensure that your address is up to date by logging into myPay and going to the “Pay Changes” section on the right-hand side of the screen. Selecting “Mailing Address” will display a dialogue box containing your address. To make changes to your address, click the yellow button with the pencil icon in the lower left corner of the dialogue box.

Separated employees who no longer have access to myPay will receive their debt letter via U.S. mail.

15. What should employees do to prepare for collection of the debt?

Employees are encouraged to carefully review the information contained in this FAQ regarding their options and be prepared to take whatever action is best for them and their families.

16. Is there a statute of limitations that would limit how many years back this debt can be collected?

No. The debt owed is subject to repayment and collection regardless how old the debt is.

17. How soon will employees be expected to begin repaying the debt?

Payment or a voluntary payment agreement is generally due within 30 days from the date the employee receives the DFAS debt notification letter. However, given the unique circumstances, DFAS has approved a pause in debt collection for all impacted employees for six (6) months to allow employees to file waiver applications. The pause of debt collection will be extended beyond the initial six-month period for all employees that file a waiver application within six months of the date of their DFAS debt letter. For these employees, the debt collection pause is extended until an initial decision on their waiver application is issued. If you fail to file a waiver application within the 6-month timeframe, the normal repayment process will apply and you will be required to begin making payments on your debt when the 6-month pause is over.

18. What options are available to the employees to manage the debt?

The DFAS debt notification letter outlines the employee's options and provides detailed instructions on how to pursue those options. The employee's options are triggered by receipt of the DFAS debt notification letter. A sample of a DFAS civilian debt letter is available at Department of Defense (DoD) Financial Management Regulation (DoDFMR) 7000.14-R, Volume 16, Chapter 2 at figure 2-1.

Employees may:

- a) Repay the debt in lump sum or by an installment payment plan (through salary offset);
- b) Request a hearing to contest the validity of the debt or the amount of the debt; or
- c) Apply for a waiver of the debt.

NOTE: The above options cannot be exercised until the employee receives the DFAS debt notification letter.

19. If employees request a payment plan, how much of their salary will be used to pay the debt?

If installment payment plan is elected, payments are normally structured to liquidate the debt in three (3) years or less. The amount of payment usually equates to 15% of the employee's disposable pay. The term "disposable pay" is the remaining pay after all legally required deductions from pay are taken. However, an extended period of time and/or a reduced payment amount may be approved depending on the size of the debt and the employee's ability to pay. To request more time to repay and/or a lower payment amount, the employee must be able to show financial hardship.

20. What happens if an employee chooses not to respond to the DFAS debt letter?

If an employee does not respond to the debt letter by electing one of the three options listed in FAQ #18 above within the required timeframes, DFAS will begin involuntary debt collection at a rate of 15% of the employee's disposable pay.

21. How can an employee tell if a debt is being collected?

The remarks section of the employee's leave and earnings statement (LES) will have the following statement: "INDEBTEDNESS COLLECTED FROM RETROACTIVE EARNINGS AND/OR ADJUSTED DEDUCTIONS."

Debt Waiver

22. Can the debt be waived?

Yes. Employees may request a waiver of indebtedness in accordance with DoDFMR Volume 16, Chapter 4. A sample of the DFAS instructions for requesting a waiver are also available at DoDFMR Volume 16, Chapter 2 at exhibit 2-1.

23. How long do I have to file a debt waiver application?

You have 3 years from the date of your DFAS debt letter to file a waiver application. However, employees are strongly encouraged to submit waiver requests as soon as possible to take advantage of the DFAS pause in debt collection.

24. Will filing a waiver stop the debt collection process?

No. Filing a request for waiver generally does not stop the debt collection process. By submitting an application for a waiver, the employee acknowledges that he/she does not intend to dispute the validity of the debt. However, as stated in FAQ #16, given the unique circumstances, DFAS has approved a pause in debt collection for all impacted employees for six (6) months to allow employees to file waiver applications. The pause of debt collection will be extended beyond the initial six-month period for all employees that file a waiver application within six months of the date of their DFAS debt letter. For these employees, the debt collection pause is extended until an initial decision on their waiver application is issued. Employees who fail to file a waiver application within the 6-month timeframe will be required to begin making payments on their debt when the 6-month pause is over.

25. Do I need to ask DFAS to pause debt collection while I apply for a waiver?

No, a six-month debt collection pause for FES Retirement Code Error debts has been approved by DFAS. The six-month period begins when your debt notification letter is mailed to you.

26. When does the pause in debt collection begin?

The 6-month pause in debt collection is effective immediately and applies to all impacted employees. If you wish to REMAIN COVERED by the stay of debt collection during the entire time you spend waiting for an initial waiver decision (which could take over 1 year), you are required to file your waiver application within 6 months from the date of your DFAS debt letter. If you fail to file a waiver application within 6 months from the date of your DFAS debt letter, you will be required to begin paying on your debt at the end of the 6-month pause. See also FAQ #23.

27. Where can I find instructions on how to apply for a waiver?

Affected employees will receive a Waiver Guide for employees to follow when applying for a waiver. The guide will provide instructions, checklists, and templates for building a waiver package.

In the meantime, waiver information can also be found by following the link to the DCPAS website <https://www.dcpas.osd.mil/policy/retirement>

28. Why do I have to provide copies of my past Leave and Earning Statements in my debt waiver request package? Doesn't DFAS have these documents already?

While DFAS has access to your master pay history, this information contains only the codes and amounts that appear on a LES. It is not available in the same way your LES appears when accessed and printed via myPay. The digital information also does not include the Remarks that are included on the LES. Viewing the LES as the customer did at the time it was produced is an important part of the adjudicator's review of a debt waiver request.

You should attempt to obtain copies of your LES covering the entire time for which you are requesting a waiver. The waiver guide includes sample statements you can use to identify LESs that you are unable to provide.

29. How soon can I file an application for a waiver?

Waiver applications cannot be submitted until a debt is established by the DFAS debt notification letter. An employee must wait until he/she receives the DFAS debt letter to file a waiver application.

30. Under what conditions can the debt be waived?

Waivers may be granted only if the authorized official determines that collection of the debt would be against equity and good conscience and not in the best interests of the United States. Waivers may not be granted if there is any indication of fraud, misrepresentation, or lack of good faith on behalf of the employee. A waiver is generally precluded if the employee knew or had reason to know that an erroneous payment occurred.

31. For purposes of waiver, at what point am I considered to be "on notice" of my debt? Is it the date I received my service's or agency's notification letter, or is it when I receive the DFAS debt letter?

An employee is considered to be on notice of a debt at the point they *first* knew, or had reason to know, that an erroneous payment has occurred. In other words, notice is considered to occur at the first point an employee knows or has reason to know that their pay is being computed incorrectly. Employees are considered to be on notice even if they fail to read or act upon the notice(s) they receive.

32. May an employee's DoD component or service submit a waiver request on behalf of the employee?

No. This is the *employee's debt*, and only the *employee* may legally choose to pursue a waiver. It is the employee's decision how best to manage his or her debt.

33. Will DoD be submitting a blanket waiver on behalf of all impacted employees?

No. There is no such thing as a blanket waiver. As stated above, the decision to apply for a waiver is a determination each employee must make for him or herself. Employees who choose to pursue a waiver are responsible for filling out the waiver application form (DD Form 2789) and gathering all the documentation required for their waiver application.

34. Who has authority to waive the debt?

DFAS has received Delegation of Waiver Authority to consider an approved waiver request predicated by retirement plan code errors even if the amount exceeds \$1,500. This delegation of authority is limited to waivers related to FERS retirement plan code errors that are corrected with SF-50 personnel actions with retroactive effective dates for the FERS retirement code change after January 1, 2013. The Defense Office of Hearings and Appeals will continue to have appellate authority over any DFAS denial or partial denial of an employee's waiver request.

35. What is the likelihood my debt will be waived?

There is no guarantee a waiver will be granted. Each waiver application is considered individually on its own merits, based on the facts of each employee's case. Waivers may be granted only if the authorized official determines that collection of the debt would be against equity and good conscience and not in the best interests of the United States. Employees are encouraged to begin making preparations (i.e., saving money) in the event their request for waiver is denied.

36. If a waiver is approved, will my retirement annuity be reduced by the amount of the debt that was waived when I retire?

No. If a waiver request is approved, there will be no reduction in your retirement annuity benefit when you retire. Your DoD component (Service or agency) is responsible for paying the Office of Personnel Management (OPM) the full amount of your missing retirement contributions. The debt you owe is to DoD, not to the FERS retirement fund. If your waiver is granted, your debt to DoD is considered to be paid in full.

37. If I pay the debt and a waiver is approved, what happens to the money I paid?

Any waiver-eligible debt payments made by employees while decision on a waiver is pending will be refunded to the employee in the event waiver is approved.

38. May an employee file an application for a waiver and request a hearing to dispute the validity of the debt at the same time?

No, employees may not file an application for waiver and a request for hearing at the same time because waivers and hearings are conflicting actions. By submitting an application for a waiver, the employee acknowledges he/she does not intend to dispute the validity or amount of the debt. Whereas filing a request for a hearing means the employee is disputing the validity or amount of the debt. Therefore, employees must initially choose to pursue one option or the other.

39. What if my waiver package is not complete?

If your request is not complete, DFAS will reach out to you via mail or email and request the missing information. Please make sure to use your most current e-mail address on the Waiver Remission of Indebtedness Application, DD Form 2789.

40. What if I do not submit the additional information requested?

DFAS allows 60 days for the employee to respond to the inquiry. If no response the case will be closed, and debt collection begins.

41. How will I be notified of the status of my waiver request?

You will receive written notification of your waiver decision when it is complete. You can check on the status by contacting the HRO representative included in your waiver guide.

42. How will I find out if my waiver has been approved or not?

You will receive written notification directly via U.S. mail. DFAS will make any necessary adjustments to your pay account based on the waiver determination.

43. How long will it take for the waiver authority to make a decision on a waiver request?

It may take over a year before a waiver decision is received.

Hearings

44. If I file a request for a hearing to dispute the validity or amount of my debt, is debt collection automatically paused?

Yes. If you file a request for a hearing to dispute the validity or amount of your debt, debt collection is automatically paused until a decision is issued.

45. How long will it take for a decision on my hearing request to be issued?

It can take anywhere from a month to over a year for a hearing decision to be issued.

46. If I receive an unfavorable hearing decision, may I file a waiver application after I receive the hearing decision?

Yes, however, it is important to keep in mind that the three-year time limit for filing a waiver, and the six (6) month timeframe to qualify for the blanket pause of debt collection pending waiver both continue to run while you pursue a hearing. In other words, you must file a waiver application within six months of the date of your DFAS debt letter in order to qualify for a continuing pause of debt collection for the period of time you are waiting for a decision on your waiver application. Filing a hearing request **does not** stop this 6-month deadline from running. If you choose to pursue a hearing, and it takes six months or more to receive a decision, you will no longer be eligible for the debt collection pause, and you will be required to make payments on your debt while your waiver application is pending.

Employee Resources

47. What resources are available to affected employees and their families?

Your DoD component (service or agency) understands the significant impact a loss of income may have on our employees and their families. Employees are encouraged to reach out to their servicing Human Resources Offices (HROs) for information on proper interpretation of the regulations and to obtain required supporting documentation for waiver applications and hearing requests.

Your employer may also have other resources available. Contact your HR office for more information.

Appendix A - References

Regulations and Policy Related to Debt Collection and Waiver:

- Department of Defense Financial Management Regulation 7000.14-R, Volume 16, Chapters 1-4
(https://comptroller.defense.gov/Portals/45/documents/fmr/Volume_16.pdf)
- Department of Defense Instruction 1340.23, Waiver Procedures Resulting from Erroneous Pay and Allowances, dated February 14, 2006
(<https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodi/134023p.pdf>)
- Title 5, Code of Federal Regulations, Section 841.505, Correction of Error
(<https://www.ecfr.gov/current/title-5/chapter-I/subchapter-B/part-841/subpart-E/section-841.505>)
- Defense Finance and Accounting Service (DFAS): Debt Repayment Options
(<https://www.dfas.mil/debtandclaims/paymydebt/Debt-Repayment-Options/>)
- Defense Finance and Accounting Service (DFAS): Waiver application instructions.
(<https://www.dfas.mil/CivilianEmployees/debt/debtwaivers/>)
- Defense Finance and Accounting Service (DFAS): Civilian Debt Waivers
(<https://www.dfas.mil/waiversandremissions/civilian>)