DoD Instruction 1400.25, Volume 1408

DoD Civilian Personnel Management System: Insurance and Annuities for Nonappropriated Fund Employees

Originating Component: Office of the Under Secretary of Defense for Personnel and Readiness

Effective: August 28, 2020
Change 1 Effective: October 1, 2021


Approved by: Matthew P. Donovan, Under Secretary of Defense for Personnel and Readiness
Change 1 Approved by: Kathleen H. Hicks, Deputy Secretary of Defense

Purpose: This issuance is composed of several volumes, each containing its own purpose. In accordance with the authority in DoD Directive (DoDD) 5124.02:

- This instruction establishes and implements policy, establishes procedures, provides guidelines and model programs, delegates authority, and assigns responsibilities regarding civilian personnel management within the DoD.

- This volume:
  - Establishes policy, assigns responsibilities, and provides procedures for DoD nonappropriated fund (NAF) employee insurance and retirement benefits programs, in accordance with DoDD 1400.25.
  - Establishes the DoD NAF Employee Benefits Committee.
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1.1. **APPLICABILITY.**

This volume applies to:

   a. OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this volume as the “DoD Components”).

       (1) The Army and Air Force Exchange Service (AAFES) is a DoD Component for the purposes of this volume if delegated authority to oversee NAF employee insurance and annuities policies by the Secretaries of the Army and the Air Force.

       (2) The United States Marine Corps, the Navy Exchange Service Command, and the Commander, Navy Installations Command, are DoD Components for the purposes of this volume if delegated authority to oversee NAF employee insurance and annuities policies by the Secretary of the Navy.

   b. All NAF employees and positions within DoD, including those NAF positions authorized to receive funding from appropriated funds (APFs).

1.2. **POLICY.**

It is DoD policy that:

   a. To attract and retain qualified and productive employees, the DoD Components will provide eligible employees a retirement system, health benefits, life insurance, and other group insurance and benefits that meet the requirement of applicable laws, executive orders, regulations, and the requirements of this volume.

   b. Regular full-time (RFT) employment category employees will, unless noted otherwise in this volume, be eligible to participate in the health, retirement, insurance, and other benefit programs outlined in this volume if they:

       (1) Are an employee on the U.S. payroll.

       (2) Have a social security number.

       (3) Are subject to U.S. income tax.

       (4) Are not subject to a status-of-forces agreement provision that precludes eligibility.

   c. Employees in an employment status other than RFT will be eligible to participate in certain employee benefit programs as specified in Paragraph 4.4.a., Paragraph 7.6.b., and
Paragraph 8.1.a. of this volume or, where permitted, as authorized by the DoD Component heads of Components with NAF employees.

1.3. INFORMATION COLLECTIONS.

The NAF employer annual actuarial valuation reports referred to in Section 4 do not require licensing with a report control symbol in accordance with Volume 1 of DoD Manual 8910.01.

1.4. SUMMARY OF CHANGE 1.

Change 1 updates Section 7 in accordance with the September 29, 2021 Deputy Secretary of Defense memorandum establishing the fully insured group Medicare Advantage with Prescription Drug Plan as an option within the current NAF Health Benefits Program (HBP).
SECTION 2: RESPONSIBILITIES

2.1. ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER AND RESERVE AFFAIRS (ASD(M&RA)).

Under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness (USD(P&R)), the ASD(M&RA):

a. Has overall responsibility for the development of DoD civilian personnel policy covered by this volume.

b. Serves as the principal DoD point of contact on all NAF policy matters relating to NAF and NAF instrumentalities.

2.2. DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR CIVILIAN PERSONNEL POLICY (DASD(CPP)).

Under the authority, direction, and control of the ASD(M&RA), the DASD(CPP) supports the development of civilian personnel policy covered by this volume and monitors its execution by DoD Components, ensuring consistent implementation and application throughout the DoD.

2.3. DIRECTOR, DEPARTMENT OF DEFENSE HUMAN RESOURCES ACTIVITY.

Under the authority, direction, and control of the USD(P&R), the Director, Department of Defense Human Resources Activity, provides support to the DASD(CPP), as appropriate, in the execution of the duties and responsibilities in this volume.

2.4. DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR MILITARY COMMUNITY AND FAMILY POLICY.

In addition to the responsibilities in Paragraph 2.6. and under the authority, direction, and control of the ASD(M&RA), the Deputy Assistant Secretary of Defense for Military Community and Family Policy, through the Morale, Welfare, and Recreation and Resale Policy Office, provides financial management oversight of DoD Component NAF employer retirement and pension plan trust funds. Regulations issued by that office address DoD Component funding and fiduciary responsibilities for trust funds funding NAF retirement plans and other post-employment benefits.

2.5. UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER, DEPARTMENT OF DEFENSE.

In accordance with DoDD 5118.03, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense, serves as the Principal Staff Assistant and advisor to
the Secretary of Defense for financial management, establishing and supervising the execution of uniform DoD policies, principles, and procedures for accounting systems, including those involving NAFs.

2.6. DOD COMPONENT HEADS OF COMPONENTS WITH NAF EMPLOYEES.

The DoD Component heads of Components with NAF employees:

a. Oversee the implementation, application, and direct compliance with the provisions of this volume, including:

   (1) Providing a retirement system to eligible DoD NAF employees.

   (2) Implementing and maintaining the DoD NAF HBP and other group insurance benefits.

b. Oversee and monitor the integrity of retirement and insurance program operations through internal controls, performance audits, or other means to confirm accurate and reliable administration and procedural compliance and to minimize fraud, waste, and abuse.

c. Implement laws and regulations applicable to DoD NAF personnel management functions, (e.g., insurance, and retirement benefits), including laws and regulations applicable through administrative extension.

2.7. SECRETARY OF THE ARMY.

In addition to the responsibilities in Paragraph 2.6., and pursuant to DoD Instruction (DoDI) 5120.39, the Secretary of the Army provides NAF contracting services to enable the establishment and administration of a contract with a third-party administrator (TPA) for the DoD NAF HBP.
SECTION 3: GENERAL PROVISIONS

3.1. RETIREMENT.

In accordance with Section 2105(c) of Title 5, United States Code (U.S.C.), DoD NAF employees are ineligible for the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), except as provided by retirement benefit portability law in Sections 8347(q)(1) and 8461(n)(1) of Title 5, U.S.C.

   a. Section 4 describes the retirement system for eligible DoD NAF employees.

   b. Section 5 provides procedures for the portability of retirement benefits between DoD NAF and APF positions.

   c. Section 6 provides procedures for the portability of retirement benefits between DoD Component NAF employers.

3.2. HEALTH AND OTHER BENEFITS.

On January 1, 2000, in accordance with Section 349 of Public Law (PL) 103-337 and Section 1587 note of Title 10, U.S.C., a single, uniform DoD-wide HBP replaced the various non-health maintenance organization (non-HMO) plans offered by DoD Component NAF employers.

   a. Section 7 describes the DoD NAF HBP and the role of the DoD NAF Employee Benefits Committee, which is sponsored by the Office of the DASD(CPP), chaired by a member of the Defense Civilian Personnel Advisory Service (DCPAS), and composed of DoD Component representatives from each of the six NAF employers.

   b. Section 8 provides procedures for other insurance benefits, miscellaneous benefits, and benefit waivers.
SECTION 4: NAF RETIREMENT SYSTEM

4.1. BASIC REQUIREMENTS OF THE PROGRAM.

a. The DoD Component heads of Components with NAF employees will provide eligible employees a tax-qualified retirement system consisting of one defined benefit (DB) plan and one Internal Revenue Code (IRC) Section 401(k)-provisioned, defined contribution (DC) plan in addition to and in consideration of social security benefits provided in accordance with Chapter 7 of Title 42, U.S.C.

b. DoD NAF DB retirement plans are federal government pension plans pursuant to Section 9502 of Title 31, U.S.C.

c. The United States Marine Corps, the Navy Exchange Service Command, and the Commander, Navy Installations Command, may each provide separate DB and DC plans for their respective NAF employees if the Secretary of the Navy has delegated such authority.

d. No other plan, fund, or program that provides retirement income to employees, or that results in a deferral of income until the termination of employment or beyond, is authorized, except as approved by the ASD(M&RA).

4.2. RETIREMENT PLAN PROVISIONS.

a. Tax Qualification Requirements.

DoD NAF DB and DC plans will meet applicable tax qualification requirements. The AAFES Supplemental Deferred Compensation Plan will meet the tax deferral requirements applicable to such nonqualified plans. Sections 401 through 420 of Title 26, U.S.C., and related IRC provisions and supporting regulations and interpretations issued by the Department of the Treasury or the Internal Revenue Service describe tax qualification requirements.


An official plan document will state the terms, conditions, benefits, rights, and features of each plan. It is the plan document language and the actual operation of the plan that determines the plan’s tax status.

c. DoD Component Discretion.

In accordance with the DoD policy parameters and DoD Component mission and resource requirements, sponsoring NAF employers have wide discretion in establishing DB and DC benefit levels and features.

(1) Depending on the respective NAF employer’s plan document language and amendments, this may include, but is not limited to:
(a) Provisions for prior military service credit.
(b) Disability benefits.
(c) Phased retirement.
(d) Early retirement.
(e) Cost of living adjustments.
(f) DC plan contribution matching by NAF employers.

(2) DoD Component heads of Components with NAF employees may approve NAF early retirement and voluntary separation incentive pay for NAF employees in accordance with Volumes 1417 and 1702 of this instruction.

d. Compliance with the Plan Document.

The DoD Component heads of Components with NAF employees and fiduciaries will administer the plan in strict compliance with the provisions of the official plan document, except where a provision in the plan document is contrary to law. In such case, the law takes precedence and the DoD Component will promptly amend or restate the plan document to comply with the law.

4.3. COORDINATION OF DEFINED BENEFIT PLAN PROVISIONS WITH CONGRESS.

a. Page 318 of House Report 106-162 requests that the Secretary of Defense not implement any changes to DoD NAF pension plans without consulting with the House Armed Services Committee and Senate Armed Services Committee. To facilitate such consultation when appropriate, the DoD Components will coordinate, before implementation, with the ASD(M&RA), through the DASD(CPP), the DB plan document changes described in Paragraphs 4.3.a.(1) and (2). This requirement only applies if applicable law or DoD policy does not mandate them.

(1) A change that affects benefits, rights, or eligibility.

(2) A change to the structure of the trust fund (e.g., consolidating or aggregating trust funds, but not trust fund changes that concern investment strategy or investment policy).

b. The DoD Components will transmit proposed DB plan document change requests to DCPAS. DCPAS will engage with the Office of the DASD(CPP) regarding consultation with the House Armed Services Committee and Senate Armed Services Committee and perform subsequent coordination with the Office of the ASD(M&RA). The rationale and justification for the proposed changes will be included in the DoD Component’s request package and will include a business case analysis that addresses:
(1) Cost.
(2) Comparability with private sector and federal plans.
(3) Equity.
(4) Recruitment and retention.
(5) Total compensation.

4.4. PARTICIPATION ELIGIBILITY.

a. Regular full-time DoD NAF employees will be eligible for their DoD Component NAF employer’s DB and DC plans in accordance with the eligibility requirement in Paragraph 1.2.b. Regular part-time (RPT) employees will also be eligible for DC plan participation, and the DoD Component heads of Components with NAF employees may provide DB plan participation to RPT employees who have a regular work schedule of at least 20 hours per week.

b. DoD Component DB and DC retirement plans may provide for voluntary or involuntary employee participation consistent with applicable laws and regulations.

c. An employee who participates in a NAF defined benefit plan may be eligible to continue participation in that retirement plan after a qualifying move to a retirement-covered civil service APF position. Similarly, an APF employee may be eligible to continue to participate in CSRS or FERS after a qualifying move to a retirement-covered DoD NAF position. Section 5 describes eligibility requirements for portability of retirement benefits for employees moving between DoD NAF and APF positions.

4.5. CREDITABLE SERVICE.

a. General.

Credited DoD NAF service for retirement is limited to all service for which employee contributions, deposits, or redeposits are made. An exception to this limitation is that credit may be granted during a waiting period that does not exceed 1 year after the date of hire if the employee elects to join the plan within 30 days of termination of the waiting period.

b. Appropriated Fund Service.

Service in an appropriated fund position is not creditable for NAF retirement purposes; however:

(1) Honorable active U.S. military service is creditable as provided in Paragraph 4.5.c.

(2) Service in a FERS-covered position is creditable as provided in Section 1043 of PL 104-106; Section 8347 note of Title 5, U.S.C.; and Part 847.431 of Title 5, Code of Federal Regulations (CFR).
(3) A DoD Component NAF employer may credit APF service for a DoD NAF immediate annuity in the same manner as NAF service is credited for a CSRS or FERS immediate annuity in accordance with Section 1132 of PL 107-107 and Subparts H and I of Part 847 of Title 5, CFR.

(a) If the DoD Component NAF employer chooses to provide for such credit, the credit is at the option of an employee who is vested but not otherwise eligible for an immediate annuity. No employee or employer deposits will be made to the NAF retirement fund for the APF service credit. The annuity will be actuarially reduced to offset the additional cost to the retirement fund resulting from the employee using APF service to qualify for an immediate annuity.

(b) A DoD Component NAF employer who chooses to provide for such credit will provide for consistent application and communication with employees regarding this option. The communication will include an explanation of how opting to use APF service for a NAF immediate annuity may affect the possible receipt of CSRS or FERS benefits that would eventually be forthcoming if APF service were not used. NAF employers may use United States Office of Personnel Management (OPM) Benefits Administration Letter (BAL) Number 03-102, which concerns credit for NAF service for CSRS or FERS, for guidance in crediting APF service for a NAF immediate annuity.

c. Military Service Credit.

(1) Credit for military service is granted in accordance with Sections 4301 through 4334 of Title 38, U.S.C., also known, and referred to in this volume as the “Uniformed Services Employment and Reemployment Rights Act (USERRA).” The tax qualification rules referenced in Paragraph 4.2.a., specifically those set forth in Section 414(u) of Title 26, U.S.C., explain retirement plan requirements that must be satisfied with regard to Military Service and in accordance with USERRA.

(2) In addition to meeting USERRA mandates, DoD Component NAF employers may grant credit for Military Service performed before the employee was hired in the NAF position using the provisions of CSRS and FERS as guidelines. DoD Component NAF employers may determine the amount of the employee payment for such service credit consistent with sound fiscal and retirement plan funding considerations.

d. Treatment of Sick Leave and Annual Leave.

(1) Sick Leave.

An employee’s unused sick leave hours may be added to credited service to calculate the length of service for pension computation. However, unused sick leave will not be credited service for determining vesting or eligibility to retire. The dollar value of accumulated sick leave will not be added to earnings to calculate the pension amount, and cash payout of such value is prohibited.
(2) Annual Leave.

Accumulated annual leave will not be added to the employee’s credited service to calculate pension amount, vesting, or eligibility to retire except as provided by the Business Based Action (BBA) separation provisions in Paragraph 4.5.d.(3). The dollar value of accumulated annual or vacation leave will not be added to earnings to calculate the pension amount. The exception to this rule is if AAFES and Marine Corps NAF employees were enrolled in their respective AAFES or Marine Corps NAF retirement plans before September 1, 2007 and were previously grandfathered.

(3) Provisions Concerning Separation by BBA.

(a) Mandatory Use of Annual Leave to Reach Eligibility for Retirement and Health Insurance.

To enable employees separated by BBA to reach eligibility for a retirement annuity or retiree health insurance, carry employees in an annual leave status beyond the scheduled separation date if such leave is available in the employee’s annual leave account. However, use of accrued annual leave to reach vesting status is not permissible. This provision is an exception to NAF employee annual leave policy in Volume 1406 of this instruction, which restricts granting annual leave immediately before termination of employment.

(b) Discretionary Use of Annual Leave to Reach Eligibility for Optional Retirement and Health Insurance.

For employees separated by BBA, DoD Component NAF employers may apply the annual leave use provisions of Paragraph 4.5.d.(3)(a) to optional retirement even if the employee is already eligible for early retirement.

(c) Discretionary Use of Sick Leave with Regard to Calculation of a Deferred Annuity.

DoD Component NAF employers may add unused sick leave to credited service in the calculation of a deferred annuity for an employee who is separated by BBA. The addition of unused sick leave to credited service will be calculated in the same way that it is calculated for normal retirement, and the restrictions set forth in the sick leave provisions of Paragraph 4.5.d.(1) will apply.

e. NAF Service Used for a CSRS or FERS Annuity.

NAF service that is creditable toward a CSRS or FERS immediate annuity in accordance with Section 1132 of PL 107-107 cannot convey as creditable service in a NAF retirement plan.

In the interest of continued protection of the assets and integrity of NAF retirement plans, the DoD will follow the reporting and disclosure principles of Sections 1021 through 1031 in Chapter 18 of Title 29, U.S.C., which addresses standards for employee communications and annual reports. The minimum compliance requirements are described in Paragraphs 4.6.a. and b.

a. Employee Communications.

DoD Component NAF employers will provide participants with:

(1) A current summary plan description (SPD) of pertinent plan provisions.

(2) Prior notice explaining reductions in benefits, rights, or features of the plan.

(3) A statement of benefits, upon request, that includes the participant’s vesting.

(4) A statement of benefits upon termination of employment that includes:

(a) The benefit accrued and payable at normal retirement age.

(b) Information on commencing benefit payments.

(c) If applicable, information on how a delay in benefit commencement would result in adverse consequences.

(5) A written statement to a participant or beneficiary whose claim for benefits is denied.

(6) Information on procedures for making a claim for benefits and appealing any adverse decision. This information may be included in the SPD.

b. NAF Retirement Plan Annual Actuarial Valuation Reports.

DoD Component NAF employers will:

(1) Provide copies of their full annual actuarial valuation reports for DB plans and other post-employment benefits, including medical benefits and life insurance to the Associate Director, Benefits, Wage, and NAF Policy, DCPAS, and the Director, Morale, Welfare and Recreation and Resale Policy Office.

(2) Submit complete final reports no later than 9 months after the end of the plan year. The final reports will include the appropriate signatures and explanatory notes.
SECTION 5: PORTABILITY OF RETIREMENT BENEFITS BETWEEN
DOD NAF AND APF POSITIONS

5.1. ELECTION TO CONTINUE NAF RETIREMENT COVERAGE AFTER A
QUALIFYING MOVE FROM DOD NAF TO AN APF POSITION.

Pursuant to Sections 8347(q)(2) and 8461(n)(2) of Title 5, U.S.C., the gaining APF employer offers an eligible employee an election to continue NAF retirement coverage, instead of being subject to CSRS or FERS.

a. Qualifying Move.

In accordance with Section 847.202(b) of Title 5, CFR, to be eligible to continue NAF retirement coverage, the employee must move on or after December 28, 2001, between retirement-covered positions without a break in service of more than one year. The employee must not have had a prior opportunity to elect to continue NAF retirement coverage in an APF position.

b. Regulations and Election Forms.

(1) Subpart B of Part 847, Title 5, CFR, contains regulations on elections to continue retirement coverage after a qualifying move between NAF and APF positions. Section 847.205 of Title 5, CFR, applies to elections of NAF retirement coverage. OPM BAL Number 02-102 provides instructions and retirement election forms.

(2) In accordance with the retirement election instructions accompanying the retirement election forms, the gaining APF employer sends a request to the employee’s NAF retirement plan administrator for verification of NAF retirement plan participation.

(a) The applicable NAF retirement plan administrator is responsible for certifying the employee’s participation in the NAF defined benefit retirement plan and verifying the date of separation from the retirement-covered NAF employment.

(b) The NAF retirement plan administrator returns the verification to the appointing APF personnel office to determine the employee’s eligibility for the retirement coverage election.

c. Employee and Employer Contributions.

The APF employer of an employee who remains in a NAF retirement plan calculates employee and employer contributions to the NAF plan in the same manner as the NAF employer calculates contributions for a NAF employee in that NAF plan. Volume 8 of DoD 7000.14-R provides payroll regulations for DoD APF activities, and requires that DoD APF employers make biweekly employee and employer retirement deductions and contributions and submit those amounts to the applicable NAF employee benefit system.
d. Eligibility for NAF 401(k) Plan.

APF employees who elect to retain coverage under a NAF retirement system are eligible to contribute to the applicable NAF 401(k) plan. Those employees are not eligible to participate in the civil service Thrift Savings Plan.

e. Irrevocable Election.

An APF employee’s election to remain in the NAF retirement plan is irrevocable. Pursuant to Sections 8347(q)(2) and 8461(n)(2) of Title 5, U.S.C., the employee remains covered by the retirement system applicable to the employee’s current or most recent NAF employment.

(1) The employee remains covered by the same DoD NAF defined benefit plan during any subsequent APF or DoD NAF employment, including DoD NAF employment with a different DoD Component.

(2) The individual is covered by the same DoD NAF retirement plan regardless of breaks in service, retirement status, or service as a reemployed annuitant.

f. CSRS and FERS Annuitants.

NAF employees who are receiving a CSRS or FERS annuity (based on previous civil service employment) are not eligible to continue participating in a NAF retirement plan if they move from the NAF retirement-covered position to re-employment in an APF civil service position. With certain exceptions, in accordance with Section 9902(g)(1) of Title 5, U.S.C., a CSRS, or FERS annuitant re-employed in DoD is not considered an employee for the purposes of either CSRS or FERS. There is no opportunity for a retirement portability election unless an employee is moving to a retirement-covered position. Therefore, annuitants who are not eligible to reenter CSRS or FERS are not entitled to a NAF retirement portability election upon a move from NAF to an APF civil service position.


Employees who moved from DoD NAF positions to APF civil service positions before December 28, 2001 are subject to different retirement portability eligibility criteria and rules than employees moving on or after that date. Subparts C-G of Part 847 of Title 5, CFR list the regulations covering retirement portability options for those employees moving before December 28, 2001.

5.2. ELECTION TO CONTINUE CSRS OR FERS RETIREMENT COVERAGE AFTER A QUALIFYING MOVE FROM AN APF POSITION TO A DOD NAF POSITION.

Pursuant to Sections 8347(q)(1) and 8461(n)(1) of Title 5, U.S.C., the gaining NAF employer offers an eligible employee an election to continue CSRS or FERS retirement coverage, instead of being subject to the DoD Component’s NAF retirement system.
a. Qualifying Move.

(1) In accordance with Section 847.202(a) of Title 5, CFR, to be eligible to continue CSRS or FERS retirement coverage, the employee must move on or after December 28, 2001, between retirement-covered positions without a break in service of more than 1 year. The employee must not have had a prior opportunity to elect to continue CSRS or FERS retirement coverage in a NAF position.

(2) In accordance with Subparts C-G in Part 847 of Title 5, CFR, employees who moved from APF positions to DoD NAF positions before December 28, 2001, are subject to different retirement portability eligibility criteria, retirement options, and rules than employees moving on or after that date.

b. Regulations and Election Forms.

(1) Subpart B of Part 847, Title 5, CFR, contains regulations on elections to continue retirement coverage after a qualifying move between APF and NAF positions. OPM BAL Number 02-102 provides instructions and retirement election forms.

(2) The hiring NAF employer sends a request to the last servicing Human Resources Office if appointment to the NAF position is within 90 days of separation from the appropriated fund position. If the NAF appointment is more than 90 days after the separation, mail the verification request to OPM for certification that the employee participated in CSRS or FERS and verification of the date of separation from the CSRS or FERS-covered employment. A model verification request is at Figure 5 in Appendix 6B of the DCPAS Portability of Benefits Reference Guide. NAF employers use that verification to determine eligibility for an election to remain in CSRS or FERS.

c. Employee and Employer Contributions.

If a NAF employee elects to remain in CSRS or FERS, the NAF employer submits current CSRS or FERS employee and employer deductions and contributions to OPM. See Volume 13 of DoD 7000.14-R for payroll regulations of DoD NAF activities.

d. Eligibility for the Thrift Savings Plan (TSP).

NAF employees who elect to retain CSRS or FERS coverage are eligible to contribute to TSP. Those employees are not eligible to participate in the NAF 401(k) plan.

e. Irrevocable Election.

A NAF employee’s election to remain in CSRS or FERS is irrevocable. Pursuant to Sections 8347(q)(1) and 8461(n)(1) of Title 5, U.S.C., the employee remains covered by CSRS or FERS during any future APF or DoD NAF employment, including DoD NAF employment with a different DoD Component. CSRS or FERS covers the individual regardless of breaks in service, retirement status, or service as a reemployed annuitant.
SECTION 6: PORTABILITY OF DoD NAF RETIREMENT BENEFITS BETWEEN DoD COMPONENT NAF EMPLOYERS

6.1. NAF TO NAF BASIC RULE.

When a NAF employee who is participating in a DoD Component defined benefit retirement plan moves to a position in a DoD Component with a different NAF retirement plan, the employee may carry forward service accrued for retirement annuity purposes. The employee must not have retired from the losing DoD Component, and the move between DoD Components must occur without a break in service of more than 90 calendar days.

a. The employee will carry forward all prior-credited service as accrued up to the date of employment termination or subsequent termination. However, if the gaining DoD Component’s NAF retirement plan does not cover part-time employees, then crediting NAF part-time service from a different DoD Component is not required.

b. Upon retirement from the gaining DoD Component, the employee’s NAF retirement annuity will be the same as if the entire period of combined, creditable NAF service had been creditable under the gaining DoD Component’s NAF retirement plan. The retirement annuity determined under the gaining DoD Component’s NAF retirement plan will then be reduced by the amount or amounts that would be payable under the losing DoD Component’s NAF retirement plan or plans. If the employee is vested in the losing DoD Component’s retirement plan or plans, the retiring employee may receive two monthly benefit checks, one from the current DoD Component, and one from the employee’s previous DoD Component.

c. The losing DoD Component will not transfer and the gaining DoD Component will not require the transfer of any funds, including pension assets, for credited service.

d. Portability of NAF retirement benefits between DoD Component NAF employers will not apply to a terminating employee who is eligible and has since commenced receiving, or is about to receive, a retirement annuity from the losing DoD Component NAF retirement plan. In this event, the employee will be considered a new employee with the gaining DoD Component and treated as if there was no prior NAF credited service.

e. To be eligible for portability of benefits, an employee cannot receive monthly retirement benefits from the losing DoD Component NAF retirement plan or plans until actual retirement from the gaining DoD Component NAF retirement plan. Otherwise, portability of benefits will not apply in accordance with Paragraph 6.1.d.

f. NAF to NAF retirement portability provisions do not apply to a NAF employee who previously elected to remain in a DoD NAF retirement plan following a move from a DoD NAF position to an APF civil service position. In accordance with Sections 8347(q)(2) and 8461(n)(2) of Title 5, U.S.C., that election is irrevocable and the employee remains covered by the prior DoD Component’s NAF employer’s retirement system, regardless of subsequent APF and NAF employment.
6.2. EXCEPTION FOR BASE REALIGNMENT AND CLOSURE (BRAC) 2005 JOINT BASING ACTIONS.

The requirement for carrying forward accrued service for NAF retirement annuity purposes is waived for BRAC 2005 joint basing actions in accordance with the guidelines in the November 14, 2008 USD(P&R) Memorandum concerning NAF human resources at joint bases. Employees who moved between NAF positions in different DoD Components under BRAC 2005 joint basing actions may choose to remain in the losing DoD Component’s NAF retirement plan.

a. An employee’s election to remain in the NAF retirement plan of the losing DoD Component, termed the “Supported Component” in Joint Basing documents, will result in continued coverage in, or eligibility for, that DoD Component’s DB and DC plans. Such an election will render the employee ineligible for the DB and DC plans administered by the gaining DoD Component, termed the “Supporting Component” in Joint Basing documents.

b. For an employee who elects to retain coverage in the losing DoD Component’s NAF retirement system, the gaining DoD Component will, at the end of each pay period, provide to the losing DoD Component’s designated payroll or financial services organization the actuarial total normal cost of covering the employee in the losing DoD Component’s DB plan. The amount will be determined by applying the total normal cost percentage factor to the employee’s pay. This percentage factor is stated in the losing DoD Component’s annual actuarial report. Therefore, the total normal cost provided to the losing DoD Component includes the employee contribution, as required by the losing DoD Component’s NAF retirement system, and the remaining amount of the total normal cost that is paid by the gaining DoD Component.

c. At the end of the pay period, the gaining DoD Component will provide to the losing DoD Component’s designated payroll or financial services organization all employee contribution amounts, through payroll deductions, and all NAF employer matching contributions, as necessary, to satisfy losing DoD Component NAF employer DC plan requirements applicable to the employee’s enrollment.

d. An election to remain in the losing DoD Component’s NAF retirement plans (DB or DC) is irrevocable as long as the employee is in a DoD NAF position in the losing or gaining DoD Components.

e. The BRAC 2005 joint basing retirement election is not applicable to future NAF moves involving different DoD Components. If the employee subsequently moves to a DoD Component other than the losing or gaining DoD Component, the employee will be subject to the DoD NAF to NAF retirement portability policy in Paragraph 6.1.

6.3. TREATMENT OF PARTICIPANTS NOT VESTED IN THE LOSING PLAN.

a. When an employee terminates NAF employment with the losing DoD Component before vesting in that Component’s NAF retirement system, the employee will not be entitled to any benefits from the losing DoD Component, except for the withdrawal of one’s own contributions and accumulated interest.
(1) Credited service rendered for the losing DoD Component will be carried forward, under the portability concept, and counted both when determining the employee’s accrued benefits and in determining the employee’s position on the vesting schedule of the gaining DoD Component’s NAF retirement plan.

(2) As an exception, the position on the vesting schedule is not applicable for determining any eligibility for a disability annuity, as the requirements for such vesting are those of the gaining DoD Component’s NAF retirement plan only.

b. When the terminated employee withdraws his or her retirement contributions before becoming vested in the losing DoD Component retirement plan, the retirement benefits due from the gaining DoD Component’s NAF retirement plan will be actuarially reduced and offset by the amount specified in Paragraph 6.4.b.(4).

6.4. COMPUTATION OF ANNUITY RESULTING FROM “NAF TO NAF” RETIREMENT PORTABILITY.

a. The retirement annuity will be computed using the gaining DoD Component’s NAF retirement plan computation formula. It will be based on all accrued credited service as rendered under the prior DoD Component NAF retirement plan or plans, plus all service creditable under the gaining DoD Component’s NAF retirement plan or plans.

b. The resultant annuity, based on all credited service, including service rendered before the employee became vested, will be offset at the time pension payments commence by the amount or amounts that would be payable under the losing DoD Component’s NAF retirement plan or plans at age 62. This will be without regard to whether the employee has or has not withdrawn prior contributions and after application of any applicable social security integration offset.

(1) If the employee is 62 or older at the time of termination from the losing DoD Component, the amount of the offset will be the amount that would be payable if the employee had retired and commenced immediate receipt of the annuity at the time of that termination.

(2) If retirement benefits are to commence before age 62, the gaining DoD Component will actuarially reduce the amount of the offset, to be applied from the losing DoD Component or DoD Components, to reflect the early payment of benefits.

(3) For purposes of determining the offset, the annuity amount accrued during the prior periods of employment will be as reported in accordance with Paragraph 6.5. The offset calculation is based upon the annuity formula in effect at the time of termination of employment from the prior DoD Component. In calculating this annuity, the social security offset is applied as of the date of termination.

(4) If the employee was not vested in the DoD Component NAF retirement plan at the time of termination, the losing NAFI’s annuity liability is zero, assuming the employee withdrew employee contributions. However, in accordance with Paragraph 6.3, credited service is carried forward and counted when determining the employee’s accrued retirement benefits with the gaining DoD Component. The gaining DoD Component will reduce the employee’s NAF...
retirement benefits by an offset. The offset will be equal to the annuity amount that the employee’s contributions would have funded, if those contributions had continued on deposit since initially contributed.

6.5. TRANSFER OF RETIREMENT INFORMATION BETWEEN DOD COMPONENT NAF EMPLOYERS.

a. For each affected or potentially affected employee, it is the responsibility of the gaining DoD Component’s NAF retirement plan administrator to request from the losing DoD Component’s NAF retirement plan administrator a statement that provides:

(1) The employee’s:
   (a) Name (last, first, middle initial).
   (b) Social security number.
   (c) Date of birth.
   (d) Beginning and ending periods of NAF RFT employment.
   (e) RPT employment.
   (f) Number of years, including partial years, of accrued credited service for annuity accrual purposes under the losing DoD Component’s NAF retirement plan.

(2) The salary or wage history of the employee, including an explanation of the years used in calculating average compensation applied in the annuity calculation.

(3) The actual calculation of the resultant accrued annuity amount, assuming commencement of such benefit at age 62. If a terminating employee previously withdrew the employee contribution, the employee will receive two separate calculations.

   (a) The annuity such participant would have received had they left all employee contributions in the plan. This amount will represent the amount of the actual offset to such gaining DoD Component NAF retirement plan.

   (b) The annuity amount actually due the employee, if any and the date the benefit will start.

b. The gaining DoD Component NAF retirement plan administrator will record the applicable employee statistics, as provided by the losing DoD Component NAF employer, in the affected employee’s retirement plan records.

c. It is the responsibility of the losing DoD Component NAF retirement plan administrator to promptly provide the data requested by the gaining DoD Component. The losing DoD Component will:
(1) Provide any data necessary to provide full and fair disclosure to the gaining DoD Component.

(2) If an employee was not vested at the time of termination, specify the annuity amount the employee’s contributions would have funded, if those contributions continued on deposit since contributed.

(3) Tell the gaining DoD Component whether a benefit is due for contributions not previously withdrawn.

d. The gaining DoD Component will notify the losing DoD Component or DoD Components of the employee’s actual retirement date and the date annuity benefits are to start.
SECTION 7: DoD NAF HBP

7.1. LEGAL REQUIREMENT FOR A DOD NAF HBP.

Consistent with Section 349 of PL 103-337 and Section 1587 note of Title 10, U.S.C., a single, uniform HBP will exist for DoD NAF employees.

7.2. ROLE OF THE DOD NAF EMPLOYEE BENEFITS COMMITTEE.

The DoD NAF Employee Benefits Committee (referred to in this volume as the “Benefits Committee”) will:

a. Meet as necessary to review DoD NAF HBP matters and develop policy recommendations to present to the ASD(M&RA) through the DASD(CPP). Proposed policy changes will be coordinated with the DoD Components.

b. Recommend the kinds, types, and levels of benefits, plan design provisions, and programs the DoD NAF HBP will provide based on factors such as cost, mainstream private, and public sector practice, and health benefits as an element of the total compensation package necessary to recruit and retain productive employees.

c. Monitor and evaluate the appropriateness and use of plan benefits and the effectiveness of TPA performance. See Paragraph 7.4. for TPA’s duties and relationship with the Benefits Committee and DoD Component NAF employers.

7.3. ROLES AND REQUIREMENTS OF THE DOD COMPONENT HEADS.

a. DoD Component heads of Components with NAF employees are not authorized to:

   (1) Establish Component-specific health benefit programs, provisions, or policy for NAF employees.

   (2) Bargain over union proposals on health plan provisions that do not comply with DoD policy for the DoD NAF HBP. This prohibition is consistent with Federal Labor Relations Authority Decision 58 FLRA No. 168 on negotiability issues. Proposals contrary to DoD NAF HBP policy, including those pertaining to the DoD Component NAF employer’s share of premium rates, are contrary to law because they are inconsistent with the statutory mandate for uniformity, and are thus outside of the DoD Component’s duty to bargain.

b. The DoD Component heads of Components with NAF employees:

   (1) May request that the Benefits Committee consider proposed changes to the DoD NAF HBP by submitting requests and supporting rationale in writing to the Chair of the Benefits Committee. The Benefits Committee is responsible for recommending policy changes to the ASD(M&RA).
(2) Will appoint a representative to the Benefits Committee and grant authority to the representative to vote on proposed committee recommendations on behalf of the DoD Component.

(3) In accordance with Paragraph 2.6.a.(2), are responsible for successfully implementing and maintaining the DoD NAF HBP within the Component, and will:

(a) Fund the DoD NAF HBP through timely payment of medical and dental plan claims, TPA fees associated with administering medical and dental plans, and premiums to applicable health maintenance organizations (HMOs). This responsibility includes ensuring proper employee payroll deductions for premiums, building and maintaining NAF employer reserve funds to cover unpredicted increases in the cost of claims, and funding claims that DoD NAF HBP participants may present after a TPA claims-processing contract terminates.

(b) Comply with requirements for DoD NAF employer cost sharing as described in Paragraph 7.10.

(c) Resolve administrative issues that affect NAF employees and retirees.

(d) Provide advice and assistance to employees and retirees on the provisions of the DoD NAF HBP, including providing communication materials (e.g., premium information and TPA-provided SPDs) and assisting with proper completion of applicable forms.

(e) Determine initial enrollment eligibility based on Paragraph 7.8., and monitor employee compliance with eligibility requirements.

(f) Review enrollees’ appeals of claims the TPA denied. All reviews will follow the appeals procedures stated in the contract between the DoD and the TPA. The DoD Component heads of Components with NAF employees are the final level of employee appeal and are responsible for communicating the appeal decision to the employee, documenting the appeal decision, and providing a copy to the Chair of the Benefits Committee.

(g) Implement the administrative simplification mandates of Section 262 of PL 104-191, within their DoD Components to protect the privacy of an individual’s health information. This includes designating a DoD Component privacy official and performing the functions outlined in Paragraph 7.7.

7.4. TPA ROLES AND RELATIONSHIPS.

a. TPA Contract.

(1) The DoD accepts the approach described on Page 265 of House Report 105-132, which requests the DoD NAF HBP to be subject to the competitive bidding process.

(2) The contract between the DoD and the TPA will be consistent with the procurement policies in DoDI 4105.67.
(3) The TPA will not provide an insured medical product for active employees. The DoD Component NAF employers self-fund the DoD NAF HBP as discussed in Paragraph 7.10. An insured stand-alone dental plan option and an insured group Medicare Advantage Prescription Drug plan may be offered as discussed in Paragraph 7.5.

b. TPA Duties.

(1) Medical and Dental Plans.

As administrator of non-HMO medical and dental plans, the TPA will:

(a) Administer and pay claims.

(b) Provide information and assistance on setting premiums and reserve fund thresholds.

(c) Interface directly with each DoD Component NAF employer representative to obtain necessary data and funding in accordance with DoD NAF HBP policy.

(d) Provide expert advice on health benefits management matters.

(e) Establish SPD content consistent with DoD NAF Benefits Committee direction; publish and distribute SPDs or make available online, as DoD requires; develop, print, and facilitate production of employee communications.

(f) Provide administrative assistance during the annual open enrollment period.

(g) Provide reports necessary to evaluate the use of medical and dental plans.

(h) Assist DoD in meeting applicable legal requirements.

(2) HMO Plans.

While the DoD NAF HBP includes HMO plans as explained in Paragraph 7.5., the TPA does not provide or administer them. An HMO plan is an insured product procured separately by a DoD Component NAF employer.

c. TPA Interface with DoD Component NAF Employers.

Each NAF employer will:

(1) Deal directly with the TPA to ensure administrative matters affecting employees are properly executed and conform to DoD NAF HBP policy.

(2) Arrange a claims and administrative fee payment account with the TPA to ensure timely flow of NAF employer funds for payment of claims and administrative fees.

7.5. HEALTH PLANS AND BENEFITS.
The DoD NAF HBP consists of preferred provider organization (PPO), indemnity, qualified high deductible health plan (HDHP) with health savings account (HSA) or health reimbursement arrangement (HRA), Medicare Advantage with Prescription Drug, dental, and HMO plans. A PPO, high deductible with HSA, or other indemnity plan will be available in each area where eligible employees and retirees live. To benefit from the cost advantages of a managed care plan, the PPO plan will be offered, rather than the indemnity plan, wherever practical. The indemnity plan will be offered only in geographic areas where the PPO plan is not offered. Where NAF employers offer HMOs, eligible employees and retirees who are not eligible for Medicare may choose either the HMO or the non-HMO plan. Special rules pertaining to coverage of retirees eligible for Medicare are in Paragraphs 7.5.b.(2) and 7.8.c. of this volume.


A medical plan will be available in each area where eligible NAF employees and retirees live.

(1) Managed care plans will:
   (a) Include preferred provider organizations, point of service organizations, and HMOs.
   (b) Rely on restricted use networks.
   (c) Use management controls to reduce cost of care.
   (d) Be offered rather than the indemnity plan, wherever practical.

(2) Non-managed care plans will:
   (a) Include indemnity plans.
   (b) Be offered only in geographic areas where a managed care plan is not available.

(3) HMO plans will:
   (a) Be offered where DoD Component NAF employers have HMOs available; eligible employees may choose either the HMO or the non-HMO plan(s).
   (b) Offer eligible retirees who are not eligible for Medicare the option to choose either the HMO or the non-HMO plan(s).

b. DoD NAF HBP Rules Pertaining to HMOs.

(1) New HMO Contracts or Agreements.

The DoD Component heads of Components with NAF employees will submit all new HMO contracts or agreements to the Benefits Committee for approval before they are executed.
(a) These contracts or agreements will permit enrollment of all DoD NAF participants, regardless of DoD Component NAF employer, who meet eligibility requirements and who live in the geographic area serviced by the HMO.

(b) All provisions of the HMO contract will apply uniformly to the participants regardless of the DoD Component NAF employer, including premium tier structure and employee share of the total premium.

(2) Medicare-Eligible Retirees Not Eligible for HMOs.

Once the retiree is eligible for Medicare, the retiree and their family must change to the applicable non-HMO NAF medical plan. The DoD Component heads of Components with NAF employees may submit a written request to the Chair of the Benefits Committee, asking the Committee to offer an exception permitting Medicare-eligible retirees to participate in an HMO.

c. DoD NAF HBP Dental Plans.

(1) Comprehensive Dental Plan for DoD NAF HBP Medical Plan Enrollees.

This plan is an option for all medical plan enrollees, and enrollees in HMOs that do not offer dental benefits through a rider purchased by the DoD Component NAF employer. The NAF employers self-fund this dental plan.

(2) Stand-Alone Insured Dental Plan.

If the TPA makes available a stand-alone insured dental plan that is acceptable to the DoD, it will be offered as an option for DoD NAF employees in regular employment category positions who meet the active employee eligibility requirements but who are not participating in a DoD NAF HBP medical plan. There is no NAF employer contribution to the stand-alone dental plan; the employee pays 100 percent of the premium. Retirees are not eligible to enroll in the stand-alone dental plan, and there is no opportunity to continue this coverage at the time of retirement. There is no provision for temporary continuation of coverage (TCC) for the stand-alone dental plan.

d. SPD.

Sections 1001 through 1461 in Chapter 18, of Title 29, U.S.C., do not apply to the DoD NAF HBP. However, in accordance with Paragraph 4.6.a., the DoD administratively extends the requirement that participants in health plans have access to a SPD.

(1) SPDs will be available electronically with an option for printing.

(2) The SPD is a key reference document explaining plan provisions, eligibility requirements, benefit coverage, and procedures to file a claim for payment of benefits.

(3) Each DoD NAF HBP plan has a separate SPD.
(a) The TPA will prepare and forward the non-HMO SPDs, along with the insured stand-alone dental plan certificate of coverage, to the Benefits Committee for approval. After approval, the TPA will issue the SPDs, and the insured stand-alone dental plan certificate of coverage, to the DoD Component NAF employers’ points of contact to communicate to the participating employees and retirees.

(b) Respective DoD Component NAF employers will ensure that each HMO provides a copy of the HMO plan’s certificate of coverage, applicable riders, SPD, and schedule of co-payments to the applicable covered participants.

e. Application of Laws Requiring Certain Health Benefits.

(1) DoD NAF HBP coverage will use the following standards:

(a) Title 6 of PL 104-204 provides for mother and newborn hospitalization of not less than 48 hours following a birth by vaginal delivery or 96 hours for delivery by cesarean section, unless the attending physician, in consultation with the mother, discharges earlier.

(b) Title 9 of PL 105-277 provides medical and surgical benefits for women who elect reconstructive surgery following covered medically necessary mastectomies.

(c) Title 7 of PL 105-277 removes annual maximums and lifetime aggregate dollar limits for mental healthcare.

(2) In accordance with:

(a) Section 311(b)(2) of PL 111-3, the DoD NAF HBP will provide participants notice about available state premium assistance programs. The DoD NAF HBP is a governmental plan and is therefore not covered by the special enrollment provisions in Section 311(b)(1) of PL 111-3.

(b) Sections 102(a) and 105 of PL 110-233, the DoD NAF HBP will not discriminate because of genetic information and will treat genetic information as protected health information.

(c) PL 111-159, the DoD NAF HBP qualifies as a minimal essential coverage plan under the provisions of PL 111-148.

(d) Section 652 of PL 108-375 and Section 1587 of Title 10, U.S.C., the DoD NAF HBP is treated as a federal HBP. As a federal HBP, the DoD NAF HBP is not subject to State laws requiring specific benefit provisions, eligibility, or payment of taxes and fees.
7.6. ELIGIBILITY REQUIREMENTS.

a. General.

The eligibility requirements specified in this volume and in the SPDs are the only criteria that establish eligibility. DoD Component NAF employers will not require employees or retirees to participate in a separate benefit program (e.g., life or disability insurance) to be eligible for the DoD NAF HBP. Preexisting conditions will not exclude eligible employees, retirees, and eligible dependents from enrollment.

b. Active Employees.

Paragraph 1.2.b. states the eligibility requirements for active employees, to include:

(1) RFT employees.

(2) RPT employees. With a regular work schedule of at least 20 hours per week, RPT employees are eligible to participate in the DoD NAF HBP.

(3) Flexible employees.

   (a) As identified in Volume 1403 of this instruction, flexible employees will be offered health benefits coverage if, at the time of their start date, the employee is reasonably expected to work at least 30 hours per week.

   (b) If at the start date, it is uncertain whether the flexible employee will work 30 hours each week, health benefits eligibility is determined by a look-back period after 12 months of employment.

   (c) If the flexible employee averaged 30+ hours per week in that 12-month period, they are a full-time employee for eligibility purposes in the DoD NAF HBP, pursuant to Section 1514 of PL 111-148.

c. Retirees.

(1) Eligibility for Post-Retirement Medical (PRM) and Dental Coverage.

After retirement, employees are eligible to continue participating in a DoD NAF HBP medical plan (HMO or non-HMO) and the DoD NAF HBP comprehensive non-HMO dental plan, provided they meet the following requirements:

(a) Enrollment.

Employees must be enrolled in a DoD NAF HBP medical plan (HMO or non-HMO) on the day before retirement. Employees who wish to take dental coverage into retirement must also be enrolled in the dental plan associated with their medical plan option (HMO or non-HMO) on the day before retirement.

(b) Participation.
An employee must have 15 years of cumulative participation in any combination of DoD Component NAF employer medical plans existing before January 1, 2000, and the DoD NAF HBP, to be eligible for medical and dental coverage following retirement. Employees who wish to continue dental coverage into retirement must also have 15 years of cumulative participation in the dental plan associated with medical plan participation.

1. Participation in either the medical or the dental plan does not have to be continuous, is not affected by breaks in service, and may be with multiple NAF employers.

2. Participation as a dependent is not creditable toward the 15-year participation requirement unless the dependent was at the time employed in a NAF position that conferred eligibility for employee enrollment in the DoD NAF HBP.

3. Participation in the stand-alone insured dental plan is not creditable toward the 15 years of cumulative participation necessary for post-retirement medical and dental coverage.

4. Continuous participation in Federal Employees HBP (FEHB) as of the day before a move from a DoD APF civil service position to a DoD NAF position on or after January 1, 1987 without a break in service of more than 3 days is credited toward the 15-year participation requirement for medical and dental plan participation. However, once enrolled in FEHB PRM coverage, the retiree is ineligible to enroll in the DoD NAF HBP PRM unless the DoD NAF HBP PRM enrollment is based solely on qualifying DoD NAF HBP participation.

5. Waive the 15-year participation requirement if the employee:
   a. Is involuntarily moved from a DoD APF position to a DoD NAF Position. The medical and dental plan requirement of 15-years participation for eligibility for post-retirement coverage is waived for employees who had 5 years of continuous enrollment in FEHB on the day before being involuntarily moved from a DoD APF civil service position to a DoD NAF position. The move must have occurred on or after January 1, 1987 without a break in service of more than 3 days. An involuntary move occurs when the DoD Component abolishes the employee’s APF civil service position and establishes that position in the NAF employment system without a substantial change in duties. This waiver is not applicable to employees who used FEHB participation to qualify for FEHB PRM.
   b. Is moved from APF to NAF positions pursuant to the Uniform Funding and Management (UFM) Program. The 15-year participation requirement in the medical and dental plan for post-retirement coverage is waived for employees who have 5 years of continuous enrollment in FEHB on the day before moving from a DoD APF Civil Service position to a DoD NAF position under UFM provisions. The employee must move between positions without a break in service of more than 1 day and must be an incumbent of a position the employer moved from APF to NAF in accordance with the UFM authority granted by Section 2491 of Title 10, U.S.C. Employers are required to document waivers of the 15-year participation requirement for the purpose of UFM. This waiver is not applicable to employees who used FEHB participation to qualify for FEHB PRM.
   c. Participates in a NAF employer’s dental plan before January 1, 2000. The requirement for 15 years of dental plan participation for post-retirement dental plan coverage is
waived for employees who participated in a NAF employer’s dental plan when the NAF employer first offered it before January 1, 2000. The 15-year participation requirement is also waived for employees who have continuously participated in the DoD NAF HBP dental plan (HMO or non-HMO) since it was implemented on January 1, 2000.

(c) Retirement Annuity.

The retiring employee must receive an immediate NAF annuity by a monthly annuity check or a lump-sum annuity payment to be eligible for medical and dental coverage following retirement. The annuity may also be from CSRS or FERS provided the employee elected to remain covered by CSRS or FERS as a NAF employee, pursuant to Section 8347(q) or Section 8461(n) of Title 5, U.S.C.

(2) Continuation of PRM Eligibility Provisions in Effect on December 31, 1999.

Before implementation of the DoD NAF HBP on January 1, 2000, each DoD Component NAF employer applied its own PRM eligibility criteria. In some cases, the PRM criteria were more generous to employees than the PRM criteria stated in this volume. Examples of more generous PRM criteria include eligibility for PRM without receiving an immediate NAF annuity and eligibility for PRM with less than 15 years of participation in the DoD Component NAF employer medical plan. DoD NAF HBP implementation policy permitted the DoD Component heads of Components with NAF employees to apply more generous PRM eligibility criteria in effect in the Component’s NAF employer plan on December 31, 1999. The two groups eligible for continuation of a NAF employer’s more generous eligibility provisions are:

(a) Employees Participating in the NAF Employer’s Previous Health Plan on December 31, 1999.

1. General. The DoD Component heads of Components with NAF employees were permitted to apply the NAF employer’s more generous PRM eligibility criteria to employees who were participating in the NAF employer’s health plan on December 31, 1999 and who enrolled in the DoD NAF HBP during the 1999 open enrollment period. The DoD Component heads of Components with NAF employees exercised discretion to apply the criteria to all of those employees or only to those within that group who were close, as determined by the DoD Component, to meeting the PRM eligibility criteria of the NAF employer’s former plan. For example, the DoD Component may have chosen to apply the DoD Component NAF employer’s more generous PRM eligibility criteria only to those employees who were within 5 years of reaching PRM eligibility.

2. Uniform Application of Determinations. The DoD Component was required to apply such determinations uniformly. An employee’s official personnel folder will contain documentation of eligibility for the NAF employer’s more generous PRM eligibility provisions.

3. Effect of Election under BRAC 2005 Joint Basing Actions. Eligibility provisions grandfathered in accordance with Paragraph 7.6.c.(2)(a)1. are not transferable to the gaining DoD Component, regardless of the employee’s NAF retirement system election under BRAC 2005 joint basing actions.
(b) Individuals Receiving PRM Coverage as of December 31, 1999.

A NAF employer’s more generous PRM eligibility criteria will continue to apply to those retirees and former employees receiving PRM coverage on December 31, 1999 if those individuals elected to participate in the DoD NAF HBP during the 1999 open enrollment period. If the individual did not elect PRM coverage, or if the coverage is cancelled, the coverage cannot be reinstated or elected during subsequent open enrollment period.

(3) PRM or Post-Retirement Dental Coverage Election and Termination.

If employees do not elect post-retirement coverage when they retire, medical and dental coverage terminates. If a retiree cancels post-retirement coverage for any reason or fails to pay applicable premiums, the coverage terminates. A retiree will not have PRM or post-retirement dental coverage reinstated or be eligible to elect to enroll during subsequent open enrollment periods.

(4) TRICARE-for-Life.

Medicare-eligible retirees who are eligible for TRICARE-for-Life may suspend DoD NAF HBP medical plan enrollment for the purpose of enrolling in TRICARE-for-Life. This provision also applies to eligible surviving dependents. At the time of enrollment in TRICARE-for-Life, enrollees must also suspend DoD NAF HBP dental plan participation if covered by the DoD NAF HBP dental plan. Those who involuntarily lose TRICARE-for-Life may return to DoD NAF HBP medical (and dental if applicable) coverage immediately; otherwise, they may do so during the next open enrollment period.

d. Dependents.

Dependents of enrollees include a spouse, children under age 26, and children over the maximum age 26 which are determined, by their attending physician, to be incapable of self-support due to a disability. Children include the enrollee’s natural children, legally adopted children, and stepchildren. Foster children are included if they live with the enrollee in a parent-child relationship. In accordance with Section 1001 of PL 111-148, and as amended by PL 111-152, married and unmarried children can be covered to the end of the month they turn age 26, but coverage does not extend to their spouse or children. The SPDs provide further details on eligibility criteria for dependents.

7.7. HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA).

a. Applicability.

Sections 102(a) and 262 of PL 104-191, also known and referred to in this volume as “HIPAA”, apply to the DoD NAF HBP. This section, or the SPDs, incorporate HIPAA requirements for certification of periods of coverage, special enrollment periods for certain circumstances, restrictions against basing eligibility or premium contribution rates on health status-related factors and protection of an individual’s privacy.
b. Privacy Regulations.

The DoD NAF HBP is subject to the privacy rules of HIPAA. Find these rules at Parts 160 and 164 of Title 45, CFR. The DoD NAF HBP must implement appropriate administrative, technical, and physical safeguards for protected health information (PHI). Additionally, PL 111-5 amended privacy rules to include breach notice requirements and protections for genetic information.

(1) The DoD Component heads of Components with NAF employees are responsible for implementing HIPAA privacy rules and training requirements. DoD HBP requires annual training for PHI handlers.

(2) The DoD Components will provide plan participants a HIPAA privacy notice detailing the employee’s rights, the responsibilities of the DoD NAF HBP, and the NAF employer’s duties in protecting the privacy of DoD NAF HBP plan participants.

(a) Privacy Officer.

The Chair of the Benefits Committee or designee will serve as the DoD NAF HBP Privacy Officer and be responsible for oversight of DoD NAF HBP compliance with the HIPAA privacy rules. Employees who believe their PHI has been used or disclosed in violation of the HIPAA privacy rules may file a complaint with the DoD NAF HBP Privacy Officer. The DoD NAF HBP Privacy Officer may investigate and adjudicate the complaint or may forward it to the DoD Component privacy official for investigation and adjudication. The DoD NAF HBP Privacy Officer will maintain records of all complaints, investigation results, and the final resolution. Employees may also file complaints with the Secretary of Health and Human Services.

(b) Privacy Official.

Each DoD Component will designate a privacy official who responds to HIPAA privacy complaints forwarded by the DoD NAF HBP Privacy Officer. The privacy official:

1. Processes the complaints through the DoD Component’s grievance procedure(s).

2. Provides the DoD NAF HBP Privacy Officer with a written report of any investigation and the disposition of all HIPAA privacy complaints received.

3. Implements privacy procedures for HIPAA compliance, provides training for employees who have access to PHI, and institutes appropriate physical and technical safeguards for PHI.
SECTION 7: DoD NAF HBP

7.8. ENROLLMENT AND COMMUNICATIONS.

a. Initial Enrollment of Active Employees.

Eligible employees may enroll themselves and eligible dependents in the DoD NAF HBP within 31 days of their initial eligibility date, when there is new employment or a change in employment category that results in eligibility, e.g., a change from the flexible to regular employment category. Employees who do not elect to enroll during this eligibility period may elect to enroll during a subsequent available enrollment period.

b. Open Enrollment Period for Employees.

There will be an annual open enrollment period for employees. The NAF HBP can decide to hold a special open enrollment period covering all DoD Components but one DoD Component cannot hold its own open enrollment period. During an open enrollment period:

(1) Eligible NAF employees who are not participating in the DoD NAF HBP may enroll in either an HMO plan (if available), a non-HMO plan or high-deductible health plan (HDHP).

(2) Employees enrolled in the DoD NAF HBP medical coverage, or who enroll during the open enrollment period may also enroll in the dental plan associated with the HMO or non-HMO plan.

(3) Employees enrolled in an enrollment class may change to different enrollment class coverage.

(4) Employees not enrolled in a DoD NAF HBP medical plan (HMO or non-HMO) may enroll in the stand-alone insured dental plan.

(5) Eligible employees and retirees enrolled in the DoD NAF HBP (HMO or non-HMO) may switch medical plans. Eligible employees and retirees may switch from one HMO to another HMO provided in the geographic area where they live, from a non-HMO plan to an available HMO or from an HMO to the non-HMO plan applicable to the geographic area where they live. Eligible employees and retirees who live in areas covered by the indemnity plan may opt into the managed care plan that covers a nearby area or reverse an earlier decision and go back into the indemnity plan.

c. Enrollment of Medicare-Eligible Retirees.

The indemnity plan covers Medicare-eligible retirees enrolled in the NAF HBP. Coverage under a managed care plan is only an option for those Medicare-eligible retirees who have one or more dependents who are not eligible for Medicare.

(1) During an open enrollment period, Medicare-eligible retirees who have Medicare-ineligible dependents may elect the indemnity plan or a managed care plan available in their area.
(2) Outside of the open enrollment period, a retiree with Medicare-ineligible dependents may elect a managed care plan if the retiree moves from an area not covered by the managed care plan to an area that is covered. The election must be made within 31 days after the move and coverage will change effective the date of the election. At this point, there is no further option to elect the managed care plan.

(3) When the retiree and all covered dependents become eligible for Medicare, coverage under the managed care plan ends. The NAF employer will switch the retiree and covered dependents to the indemnity plan. At this point, there is no further option to elect the managed care plan.

d. Enrollment of Dependents.

(1) Optional Dependent Enrollment.

(a) Employees may cover eligible dependents under the appropriate DoD NAF HBP enrollment class coverage within 31 days of the employee’s initial eligibility date. NAF employees and retirees who are already enrolled in the DoD NAF HBP may move from one enrollment class to another appropriate class coverage, add or remove a dependent to their existing appropriate enrollment class coverage within 31 days of a change in family status, e.g., a marriage, birth, adoption, or death.

(b) Failure by an employee to change to another appropriate enrollment class coverage or add a dependent within the 31-day eligibility period will require the employee to wait for the next enrollment period.

(c) Except in TRICARE-for-Life situations, retirees are not eligible for open enrollment periods. Retirees who fail to enroll a dependent in the 31 days following a change in family status are only eligible to add the dependent after a qualifying event covered by HIPAA special enrollment rules, e.g., a change in family status or the dependent’s loss of other insurance coverage.

(d) Employees and retirees who elect to cover eligible dependents with medical and dental coverage must elect the same enrollment class coverage for both medical and dental.

(2) Required Dependent Enrollment Based on a Qualified Medical Child Support Order (QMCSO).

The DoD NAF HBP will honor a court-issued QMCSO requiring an eligible employee or enrolled retiree to provide health insurance coverage for a child if the child meets the DoD NAF HBP description of an eligible dependent. If an enrolled employee or retiree fails to enroll an eligible child as required by the QMCSO, the NAF employer will enroll the affected child in the appropriate enrollment class coverage. If the employee named in the QMCSO is eligible to participate in the DoD NAF HBP but is not enrolled, the DoD Component NAF employer will enroll the employee to provide coverage for the child. This provision is not applicable to retirees not already enrolled in the DoD NAF HBP.
e. Special Enrollment Rules.

(1) Special HIPAA Enrollment Periods.

Eligible employees and dependents who declined enrollment because of other health insurance coverage may enroll in the DoD NAF HBP within 31 days of the end of the other health insurance coverage. In accordance with the HIPAA requirement for a dependent special enrollment period, participating employees and retirees may enroll eligible spouses and dependents acquired through marriage, birth, adoption, or placement for adoption. Enrollment must occur within 31 days of the qualifying event. Employees may enroll themselves to cover new dependents or provide coverage to dependents that lost other health insurance coverage. Retirees must be enrolled to initiate or change dependent coverage. HIPAA special enrollment requirements do not apply to the insured stand-alone dental plan.

(2) Employees Affected by a BBA Resulting in a Reduction in Pay Rate, Furlough, or Change in Employment Category.

If a BBA reduces an employee’s pay rate or hours or the employee is furloughed and the employee then drops DoD NAF HBP enrollment, the employee will be permitted to re-enroll outside of an open enrollment period if:

(a) The employee meets all normal eligibility requirements.

(b) The DoD Component NAF employer issues a personnel action increasing the employee’s pay rate or hours or reinstates the employee to a pay status following a furlough.

(c) The employee re-enrolls within 31 days from the effective date of the personnel action increasing the employee’s pay rate or hours, or reinstating the employee to a pay status following a furlough. Otherwise, the employee must wait until the next open enrollment period.

f. Communications.

The TPA is responsible for preparing and distributing open enrollment period materials including SPDs. DoD Component NAF employers are responsible for explaining this material and other enrollment rules to employees and retirees. NAF employers are also responsible for giving copies of communications materials and enrollment forms to new employees, acting as liaisons between employees and the TPA, explaining claims procedures when necessary, and assisting employees with interpretation of DoD NAF HBP coverage.

7.9. PREMIUMS.

a. Determination of Premium for Medical and Dental Plans.

The Benefits Committee will develop and recommend premium amounts for each plan year, January 1 to December 31, to the DASD(CPP). The rules for reaching this determination are:
(1) Multiple enrollment classes cover employees, retirees, and their dependents. Employee and retiree claims will be pooled together within enrollment classes to develop premiums.

(2) Annually, before open enrollment, the TPA will provide the Benefits Committee the projected total premium amount, to include both NAF employer and employee share, for the medical and dental enrollment classes for the following plan year. The projected total premium will take into account such factors as past claims experience for all DoD Component NAF employers, projected rates of inflation, pending legislative changes affecting health benefits, and other risk factors that could influence the cost of health benefits coverage. The projected total premium amount will include the cost for baseline TPA administrative costs. The calculation of the projected total premium amount will not include PRM prefunding costs, NAF employer overhead costs, and costs that exceed baseline TPA administrative expense.

b. NAF Employer and Employee Premium-Sharing Arrangements for Medical (non-HMO) and Dental Plans.

The employer share of the DoD NAF HBP-established premium will be 70 percent. Employees and retirees pay 30 percent.

c. NAF Employer and Employee Premium-Sharing Arrangements for HMOs.

The Benefits Committee has no role in establishing HMO premiums, since HMO plans are insured products procured separately by one or more DoD Component NAF employers. However, the NAF employer share of the total DoD NAF HBP HMO premium will not exceed 70 percent with the HMO enrollee paying the remaining amount of the applicable premium.


Before implementation of the DoD NAF HBP on January 1, 2000 AAFES paid 100 percent of the premium for enrolled retirees regardless of age. Four other DoD Component NAF employers paid 100 percent of the premium for a specified period for enrolled individuals who met certain age and service requirements. The DoD Component heads of Components with NAF employees may continue to apply PRM premium-sharing practices in effect on December 31, 1999 if they are more generous than those required by Paragraph 7.9 for medical and dental plans. The two groups eligible for continuation of an NAF employer’s more generous PRM premium-sharing practice are:

(1) Active Employees.

(a) The DoD Component heads of Components with NAF employees have discretion whether to continue to apply a NAF employer’s more generous PRM premium-sharing provisions to active employees who:

1. Participated in the NAF employer’s health plan on December 31, 1999.

2. Enrolled in the DoD NAF HBP during the 1999 open enrollment period.
(b) The DoD Component heads of Components with NAF employees have discretion to apply the more generous premium-sharing provisions to all employees who meet the criteria in Paragraph 7.9.d.(1)(a), or only to those who meet that criteria and who are close, as determined by the DoD Component, to meeting the NAF employer’s PRM eligibility criteria in effect on December 31, 1999.

(2) Individuals Receiving PRM Coverage on December 31, 1999.

The DoD Component heads of Components with NAF employees have discretion whether to continue to apply more generous PRM premium-sharing provisions to those who:

(a) Received PRM coverage through the DoD Component NAF employer’s health plan on December 31, 1999.

(b) Enrolled in the DoD NAF HBP during the 1999 open enrollment period.

e. Disabled Retirees Who Are Eligible for PRM.

In individual cases when unusual circumstances exist, NAF employers may choose to pay up to 12 months of PRM premiums for totally disabled employees who retire with PRM coverage.

7.10. EMPLOYER FUNDING.

a. General.

The NAF employers self-fund the DoD NAF HBP medical and dental plans. The TPA provides claims administration and other services for those plans but does not provide an insurance product. Where health benefits coverage is through HMO contracts, the funding arrangement is an insured product.

b. NAF Employer Sharing of Cost for Medical and Dental Plans.

The NAF employers share the cost of DoD NAF HBP medical and dental plans but do not share the cost of HMO and stand-alone dental plan costs. Costs are the sum of all claims and administrative fees. Costs do not include legally required taxes and fees. Shared costs include adjustments from the receipt of rebates and any settlement distributions or charges to the plan. Medical and dental premiums will cover the plan costs. The proportion of plan year calculated premiums attributable to each NAF employer is the basis for determining each NAF employer’s proportion of shared costs. The cost sharing methodology is further described in Paragraph 7.10.b.(1). The financial reconciliation process to accomplish cost sharing is in Paragraph 7.10.b.(2).

(1) The percent of medical and dental costs to be paid by a NAF employer is equal to the percent of the total plan year calculated medical and dental premiums that are attributable to the NAF employer.
(a) The NAF employer’s monthly-calculated premium amount equals the number of units in each medical enrollment class, each month, multiplied by the premium rate for that respective enrollment class. The sum of each enrollment class premium equals the total calculated medical premium for each NAF employer, each month. The total calculated medical premium for all NAF employers equals the sum of each NAF employer’s calculated medical premium.

(b) Each NAF employer’s plan year calculated medical premium amount is divided by the sum of all NAF employees’ plan year calculated premiums to determine the plan year proportionate share for each NAF employer. This percentage determines the NAF employer’s share that is applied to the actual medical costs for the plan year. This same process is applied to determine the NAF employer’s proportional share of dental costs for the plan year.

(2) During the plan year, January 1 - December 31, NAF employers will pay the incurred costs attributable to their respective covered lives. Financial reconciliation among NAF employers is necessary to accomplish cost sharing.

(a) Annually, NAF employers will pay other NAF employers consistent with cost-sharing reconciliation instructions issued the first quarter of each plan year by DCPAS. These payment instructions will cover the recently completed plan year and be based on the quarterly and final reports provided by the TPA. The instructions will designate payers, payees, and reconciliation amounts owed.

(b) NAF employers will pay the total amount required within 30 calendar days of the issue date of the instructions, unless an error is identified that may require DCPAS to amend the instructions. Payments will be by electronic fund transfer. Payments will be without regard to any other unsettled accounts between payers and payees except when affected NAF employers mutually agree to include other accounts.

(3) The TPA will provide quarterly cost-sharing reports to each NAF employer and DCPAS.

(a) Quarterly Cost-Sharing Reconciliation Report for Medical Costs.

This report will show each NAF employer’s total medical claims costs and the administrative fees paid. It will also include any prescription drug rebates and any credits or debits from distributions to the plan. The cost-sharing medical report will show each NAF employer’s proportional share of the total calculated medical premiums for the quarter and the plan year.

(b) Quarterly Cost-Sharing Reconciliation Report for Dental Costs.

This report will show each NAF employer’s total dental claims cost and administrative fees paid for the quarter and the plan year. Any credits or debits from distributions to the plan will also be included. The cost-sharing dental report will show each NAF employer’s proportional share of the total calculated dental premiums for the quarter and the plan year.
(c) Report Errors.

NAF employers are responsible for identifying and reporting any report errors to DCPAS and the TPA.

7.11. COVERAGE DURING LEAVE WITHOUT PAY (LWOP).

During a period of approved LWOP, an employee may elect to continue coverage under the DoD NAF HBP medical (HMO and non-HMO) and dental plan provided the employee continues to pay the required employee share of the premium. Failure to pay in accordance with the NAF employer’s requirements will result in cancellation of coverage with no opportunity to reenroll without a qualifying event or open enrollment period. The NAF employer will continue to pay the NAF employer’s share of the premium. Such coverage will not be continued beyond 12 months from the date the LWOP began, except in the case of authorized LWOP for military service or in other circumstances considered appropriate by the applicable DoD Component head.

7.12. COVERAGE DURING MILITARY SERVICE.

a. USERRA.

Sections 4301 through 4334 of Title 38, U.S.C., address USERRA and cover NAF employees who leave their jobs to perform duty with the uniformed services. Employees who are on LWOP while performing military duty may elect to continue to participate in the DoD NAF HBP medical and dental plan for up to 24 months by paying the employee share of the DoD NAF HBP premium. Employees who do not elect to continue DoD NAF HBP coverage while on military duty are entitled to reinstatement to DoD NAF HBP coverage when they return to NAF employment without waiting for an open enrollment period. For reservists who are called or ordered to active duty on or after September 14, 2001, in support of a contingency operation as defined in Section 101(a)(13) of Title 10, U.S.C., see Paragraph 7.12.b.


DoD Component NAF employers will pay the employee’s share, in addition to the NAF employer’s share, of the DoD NAF HBP medical premium for enrolled employees who are called to active duty (voluntarily or involuntarily) in support of a contingency operation for up to 24 months.

(1) To be eligible for payment of the employee’s share of the DoD NAF HBP medical premium, reservists must be placed on LWOP or separated from NAF employment to perform active duty for a period of more than 30 consecutive days. These provisions apply to employees who are enrolled in the DoD NAF HBP (HMO or non-HMO) medical plans and elect to continue that enrollment, and who are called to active duty on or after September 14, 2001.
(2) NAF employers will pay premiums for employees covered by the DoD NAF HBP in the same manner as required for DoD APF civil service employees, including retroactive reimbursement of premiums previously paid by eligible employees.

7.13. COVERAGE DURING FAMILY AND MEDICAL LEAVE (FAMILY AND MEDICAL LEAVE ACT (FMLA)).

a. Pursuant to Sections 6381 through 6387 of Title 5, U.S.C., certain NAF employees are entitled to up to 12 administrative workweeks of unpaid leave during any 12-month period for qualified family and medical needs. During approved periods of unpaid family and medical leave, employees enrolled in the DoD NAF HBP (HMO or non-HMO) may continue DoD NAF HBP coverage (medical and dental). Premium payments will be made in accordance with the LWOP procedures in Paragraph 7.11.

b. Employees who do not continue DoD NAF HBP coverage while on leave for qualified family or medical reasons are entitled to reinstatement of coverage, under the same terms as before taking leave, upon their return to duty. Reinstatement of coverage will occur on the date of election if the election is made within 31 days of return to duty.

7.14. COVERAGE FOLLOWING EMPLOYEE MOVE FROM DOD NAF TO APF POSITION.

An enrolled NAF employee who moves to a DoD APF civil service position without a break in service of more than 3 days will have DoD NAF HBP medical benefits (and dental benefits, if applicable) continued without charge to the employee for 31 days or until the employee becomes covered by FEHB, whichever comes first.

7.15. COORDINATION OF BENEFITS.

The amount of benefits payable under the DoD NAF HBP will take into account any coverage an employee, retiree, or dependent has under any other group plan. The SPDs provide details regarding how benefits are coordinated. Participants will not receive a total benefit greater than that provided under the DoD NAF HBP plan.

a. Active Employees.

Benefits will be coordinated to ensure that DoD NAF HBP reimbursement to active employees takes into account payments made by other group plans. Under this approach, active employees will not receive a total benefit greater than that provided under the DoD NAF HBP plan.

b. Retirees.

When retirees or their dependents become eligible for Medicare (whether or not enrolled in Medicare), medical benefits from the DoD NAF HBP will be offset by Medicare payments.
through the Government exclusion approach to coordination of benefits as explained in the SPDs. When a retiree or their covered dependents are eligible for Medicare (whether or not enrolled in Medicare), DoD NAF HBP benefits are secondary to Medicare for the person or persons eligible for Medicare. As Medicare does not apply overseas, the indemnity plan will apply in overseas areas as primary coverage.

7.16. CONTINUATION OF COVERAGE FOR SURVIVING DEPENDENTS.

Surviving dependents may continue DoD NAF HBP coverage at a cost and length of time commensurate with the sponsoring employee or retiree’s PRM eligibility status or years of participation.

a. Eligibility.

(1) Dependent.

For the purpose of continuation of coverage for survivors, dependents include children conceived before and born after the employee or retiree dies. If the surviving spouse remarries, neither the new spouse nor any dependents acquired upon remarriage are eligible for the DoD NAF HBP.

(2) Dependent Participation Requirement.

Surviving dependents must be enrolled in the DoD NAF HBP medical plan (HMO or non-HMO) as dependents on the day of the employee or retiree’s death. Surviving dependents may also continue NAF HBP dental plan coverage if enrolled in the dental plan as a dependent on the day of the employee or retiree’s death.

(3) Employee Participation Requirement.

The employee must have had a minimum of 90 days of participation in a DoD NAF HBP plan. DoD NAF HBP participation requirements include HMO and non-HMO participation. Enrollment in a DoD Component NAF employer medical plan existing before January 1, 2000, counts toward the participation requirement. Enrollment in FEHB also counts toward the participation requirement if the employee moved from a DoD APF to a DoD NAF position after January 1, 1987, without a break in service of more than 3 days.

b. HMO Participants.

Surviving dependents, who are eligible for continued coverage and who are enrolled in an HMO at the time of the employee’s or retiree’s death, must enroll within 31 days in the non-HMO plan covering the geographic area where they live to retain DoD NAF HBP survivor coverage.
c. Cost and Length of Coverage.

The NAF employer will pay 100 percent of the medical (and dental, if applicable) premium for eligible survivors for the first 4 months of health benefit coverage following the employee or retiree’s death. Following the 4 months of NAF employer-paid coverage, survivors are eligible to continue coverage as explained in Table 1. Coverage for the surviving spouse continues as provided in Table 1, regardless of remarriage. Coverage for dependent children continues for the length of coverage described in Table 1 or until the child does not meet the eligibility criteria described in Paragraph 7.6., whichever occurs first.

Table 1. Coverage for Surviving Dependent(s)

<table>
<thead>
<tr>
<th>Surviving Dependent of:</th>
<th>Type and Length of Coverage:</th>
<th>Cost to Survivor:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. An employee who:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Had less than 15 years of cumulative participation in the DoD NAF HBP medical plan; or</td>
<td>TCC in non-HMO DoD NAF HBP medical plan for up to 36 months. No dental coverage.</td>
<td>No cost for first 4 months. Survivor pays the full cost of the total (employee and employer share) medical premium, plus an administrative fee of 2 percent of the total premium for up to 32 additional months.</td>
</tr>
<tr>
<td>b. Did not participate in the applicable defined benefit retirement plan at the time of death.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. An employee who:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Had 15 or more years of cumulative participation in the DoD NAF HBP medical plan; and</td>
<td>Same medical coverage as employee, e.g. non-HMO medical coverage equivalent to employee’s coverage. Same dental coverage, if employee also had 15 cumulative years in a DoD NAF HBP HMO or non-HMO dental plan.</td>
<td>No cost for first 4 months. After 4 months, the survivor pays the same premium rate as an active employee.</td>
</tr>
<tr>
<td>b. Did participate in the applicable defined benefit retirement plan at the time of death.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. A retiree receiving PRM, or an employee who had 15 or more years of cumulative participation in the DoD NAF HBP medical plan and at the time of death was eligible to receive an immediate NAF annuity (see Paragraph 7.6 c.(1)(c)).</td>
<td>Same medical and dental coverage applicable to retiree or employee, including continuation of applicable eligibility provisions in accordance with Paragraph 7.6.c.(2).</td>
<td>No cost for first 4 months. After 4 months, the survivor pays the PRM premium rate applicable to the retiree or employee. This rate includes continuation of applicable PRM premium-sharing practices.</td>
</tr>
</tbody>
</table>

(A survivor retirement annuity is not required for the dependent to continue coverage.)
7.17. **TCC.**

Plan participants who become ineligible to participate in the DoD NAF HBP for any reason other than termination for cause are eligible for the TCC provision applicable to their HMO or non-HMO plan of benefits.

**a. TCC Concerning HMO Medical Plans.**

Employees, retirees, and dependents enrolled in an HMO who become ineligible to participate in the DoD NAF HBP will be offered TCC under the HMO’s continuation of coverage policies. HMOs and DoD Component NAF employers must provide participants with information on the HMO TCC provisions. This coverage and its duration may be different from that provided under the non-HMO medical plans. See Paragraph 7.16.b. for special provisions for surviving dependents of employees or retirees enrolled in HMOs.

**b. TCC Concerning Non-HMO Medical Plans.**

Title 10 of PL 99-272, which requires NAF employers to provide TCC health benefits, does not apply to the DoD NAF HBP non-HMO plans. However, plan participants who become ineligible to participate in those plans for any reason other than termination for cause are eligible for DoD NAF HBP medical plan TCC for themselves and covered dependents pursuant to Paragraphs 7.17.b.(1) through 7.17.b.(3). The DoD NAF HBP dental plan does not permit TCC.

1. **General TCC Eligibility Requirements.**

The medical SPDs provide detailed requirements, definitions, and TCC application procedures. Participants eligible for TCC are:

(a) **Employees.**

NAF employees enrolled in the DoD NAF HBP medical plan for at least 90 days before the date of non-eligibility and then lose coverage for any reason other than termination for gross misconduct.

(b) **Retirees.**

Employees who retire without obtaining eligibility for PRM.

(c) **Dependents.**

Dependents that either loses DoD NAF HBP coverage because the sponsoring employee or retiree loses coverage or who otherwise become ineligible to participate.

2. **Length and Cost of TCC Coverage for Medical (non-HMO) Plan Participants.**

Table 2 describes the length and cost of TCC offered to medical plan participants.
(a) Disabled Employees.

As shown in Table 2, totally disabled employees receive up to 36 months of TCC coverage. Disabled employees with 5 or more years of cumulative DoD NAF HBP participation will receive up to 12 months of that coverage at no charge. Participation includes HMO and non-HMO enrollment, enrollment in a DoD NAF HBP plan, and enrollment in the FEHB if the employee moved from a DoD APF position to a DoD NAF position after January 1, 1987, without a break in service of more than 3 days. The SPDs describe the term “total disability” and the procedures for providing proof of disability.

(b) TCC Termination.

TCC coverage will terminate earlier than described in Table 2 if the participant becomes eligible for Medicare, other health benefits coverage, or if a disabled employee ceases to be totally disabled.

(3) Survivors of TCC Participants.

Surviving dependents of TCC participants are ineligible for continuation of coverage beyond the maximum length of coverage provided by Table 2. The TCC participant’s death does not trigger an additional period of coverage.

<table>
<thead>
<tr>
<th>Eligible Individual:</th>
<th>Length of Medical Plan Coverage:</th>
<th>Cost to Individual:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee, retiree, or dependent meeting criteria in Paragraph 7.17.b.(1).</td>
<td>Up to 18 months from the date coverage ends.</td>
<td>102 percent of the total premium (includes administrative fee of 2 percent of the premium).</td>
</tr>
<tr>
<td>Totally disabled employee with less than 5 years of cumulative participation in a DoD NAF HBP medical plan.</td>
<td>Up to 36 months from the date coverage ends.</td>
<td>102 percent of the total premium (includes administrative fee of 2 percent of the premium).</td>
</tr>
<tr>
<td>Totally disabled employee with 5 or more years of cumulative participation in a DoD NAF HBP medical plan.</td>
<td>Up to 36 months from the date coverage ends.</td>
<td>No cost for up to 12 months then, 102 percent of the total premium (includes administrative fee of 2 percent of the premium) for up to 24 additional months.</td>
</tr>
</tbody>
</table>

c. BRAC and Workforce Reduction.

When an employee separates from NAF employment because of BRAC or workforce reduction, the following provisions apply:

(1) The NAF employer may choose to:
(a) Pay the NAF employer’s share of the premium (HMO or non-HMO) and applicable administrative fees for the employee for up to 18 months; or

(b) Require the employee to pay the full cost of the coverage to include any applicable administrative fee.

(2) The NAF employer may not pay any portion of the employee’s share.

(3) If the employee’s separation is a direct result of an approved BRAC action, the NAF employer may use NAF or APF funds in BRAC accounts to pay the NAF employer’s share of the DoD NAF HBP Medical premium and administrative fee.

(4) To be eligible, the employee affected by BRAC or workforce reduction must:

(a) Separate from employment by BBA, or resign or retire, if not eligible for PRM, after receiving a BBA separation notice.

(b) Have been enrolled in the DoD NAF HBP for at least 6 months and be enrolled at the time of separation by BBA.
8.1. LIFE, ACCIDENTAL DEATH, AND DISMEMBERMENT INSURANCE.

a. General.

The DoD Component heads of Components with NAF employees will offer group insurance plans to eligible DoD NAF employees. Section 1 states eligibility requirements. DoD Component NAF employers may also offer term life, accidental death, and dismemberment insurance to RPT employees having a regular work schedule of at least 20 hours per week. Participation will be voluntary except that the DoD Component heads of Components with NAF employees may require employee enrollment in this coverage as a condition of deployment in support of contingency operations.

b. Cost Sharing.

The respective NAF employer and employee will share costs between them for basic life insurance. The employee will pay the full cost of optional insurance including optional dependent life insurance coverage.

c. Insurance Amounts.

(1) Group Life Insurance.

This will be term insurance only and is available in basic and optional amounts using the types and levels of coverage provided by the Federal Employees’ Group Life Insurance Program (FEGLI) as a guideline. For a description of FEGLI provisions, see Sections 8701 through 8716 of Title 5, U.S.C., and Part 870 of Title 5, CFR.

(2) Accidental Death and Dismemberment.

This coverage will be in an amount equal to the basic life insurance coverage. However, basic life insurance coverage is subject to common industry practice with regard to schedules for dismemberment and exclusions, except that a DoD Component NAF employer may reduce the accidental death and dismemberment benefit of older employees if such reduction is in accordance with Sections 621 through 634 of Title 29, U.S.C.

d. Conversion to Individual Policy.

Group life insurance contracts for DoD NAF employee coverage will include a provision that permits employees to apply for conversion to an individual policy without medical examination or evidence of insurability if the insurance provider offers such a provision.

(1) To be eligible for such conversion, the employee must be ineligible to continue to participate in the group life plan because of termination or other change in employment status,
and must apply for conversion within 31 calendar days of termination of the group life coverage or within any longer period specified by the group policy.

(2) The whole cost of the individual policy will be borne by the insured. DoD Component NAF employers will notify employees of their conversion rights when they take effect.

e. Emergency-Essential Employees.

An employee who declines life insurance offered by a DoD Component NAF employer and is subsequently designated by proper authority as an emergency-essential employee in accordance with Section 1580 of Title 10, U.S.C., will receive, upon designation, a 31-day opportunity from the date of designation to enroll in a DoD NAF life insurance program. For this purpose, an emergency-essential employee must:

(1) Provide support for military operations in a combat zone after evacuation of nonessential personnel.

(2) Perform the support duty in the combat zone.

(3) Be officially designated as emergency-essential.

f. USERRA Requirements.

Sections 4301 through 4334 of Title 38, U.S.C., requires that, to the extent an employer offers life insurance coverage to employees on furlough or a leave of absence, the employer is required to provide those same benefits to an employee during a period of service in the uniformed services. In addition, DoD Component NAF employers may pay the full premium cost of life insurance (basic and optional) for a period not to exceed 12 months for an employee put in a non-pay status while on military duty.

g. Life Insurance Benefits for Retirees.

(1) Eligibility.

(a) Participation Requirement.

To be eligible for the retiree group term life insurance program, which may exclude accidental death and dismemberment coverage, the retiree must meet the NAF employer’s requirement for participation in the group life insurance program for active employees.

1. DoD Component NAF employers will establish a consistently applied requirement that is not less than 5 or more than 15 years of participation. In addition, on the day before retirement, the employee must have coverage in the group life insurance program for active employees.

2. NAF employers may use an employee’s participation in the FEGLI or another NAF employer’s life insurance program toward satisfying the participation requirement, if such
credit is consistently applied to all eligible employees. Credit previously used to establish post-retirement coverage in FEGLI or another employer’s NAF life insurance program cannot be used again to satisfy a participation requirement.

(b) Waiver of Participation Requirement.

The participation requirement is waived for employees who had 5 years of continuous enrollment in FEGLI on the day before involuntarily moving from a DoD APF position to a DoD NAF position. The move must have occurred on or after January 1, 1987 and without a break in service of more than 3 calendar days. For the purpose of this volume, an involuntary move occurs under either of these circumstances:

1. The employee’s APF position is abolished in the APF employment system and reestablished in the NAF employment system without a substantial change in duties.

2. The employee’s APF position is moved from APF to NAF pursuant to Section 2491 of Title 10, U.S.C.

(2) Amount of Group Life Insurance for Retirees.

This will be term insurance only. It may be less than but will not exceed the amount of basic and optional life insurance in force on the day before retirement. There will be a reduction in the retiree’s amount of life insurance upon the retiree’s attainment of certain ages using corresponding FEGLI provisions for retirees as a guideline. See Sections 870.706 and 870.707 of Title 5, CFR, for FEGLI regulations concerning retiree coverage. The DoD Component NAF employers may provide group life insurance to DoD NAF retirees without charge unless the retiree has the option to maintain coverage above the reduced fixed coverage and elects to do so, in which case they will be charged the full amount of the premium for the additional insurance.

8.2. DISABILITY INSURANCE.

To safeguard employees during their temporary inability to perform normal occupational duties because of a non-work-related disability, the DoD Component NAF employers may offer disability insurance consistent with mission requirements and prudent fiscal considerations.

8.3. WORKERS’ COMPENSATION.

a. Entitlement.

An employee may be eligible for workers’ compensation because of an on-the-job injury or illness. DoD NAF employees are provided workers’ compensation benefits under the Longshore and Harbor Workers Compensation Act in accordance with the provisions of Section 8171 of Title 5, U.S.C. Off-duty enlisted personnel employed by DoD Components in NAF position are not NAF civilian employees for the purposes of workers’ compensation benefits as described in Paragraph 8.3.
b. Coordination with other Benefits.

Retirement or disability annuity type payments will be offset by the amount of workers’ compensation indemnity benefits payable. Workers’ compensation income received by a survivor annuitant that is derived from an employee’s illness or injury incurred on the job will also be used as an offset against the survivor annuity payable under the retirement plan.

c. Garnishment.

DoD NAF employees are subject to the garnishment rules of Section 659 of Title 42, U.S.C., and Section 5520a of Title 5, U.S.C. The OPM implementing regulations in Part 581 of Title 5, CFR, apply to NAF employees and specifically list Longshore and Harbor Workers Compensation Act benefits as monies subject to garnishment.

8.4. UNEMPLOYMENT BENEFITS.

a. Entitlement.

In accordance with Sections 8501 through 8525 of Title 5, U.S.C., and Part 609 of Title 20, CFR, the U.S. Department of Labor, on behalf of the Federal Government, has entered into agreements with each of the States, the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands. These agreements provide that benefits will be paid to any unemployed federal civilian employee, including a DoD NAF employee, whose wages have been assigned to the State or entity in which the employee had his or her last official duty station. Therefore, the law of the State or entity under which the claim is filed determines benefit amounts, number of weeks benefits will be paid, and other conditions.

b. Funding.

DoD Components will use only NAF funds to bear the total cost of paying unemployment benefits resulting from NAF employment. In accordance with DoDI 1015.15, DoD Components are prohibited from using NAF funds to pay for unemployment compensation resulting from a BRAC action.

(1) There is no payroll deduction from a federal employee’s wages for unemployment insurance protection. DoD Components may receive a charge for improper unemployment compensation payments and, therefore, will implement procedures to reduce improper payments.

(2) Procedures to reduce improper payments will include providing State agencies with timely, accurate, and complete wage and separation information to preclude adverse or improper eligibility or compensation decisions. They will also include provisions for appealing State decisions to pay benefits to former employees whom the DoD Components believe are not entitled to such benefits.
8.5. LONG-TERM CARE (LTC) INSURANCE.

a. General.

In order that employees and retirees may purchase LTC insurance at group rates, the DoD Components are encouraged to offer group LTC programs to DoD NAF employees and retirees. Employees and retirees will pay the full cost of the premium without any subsidization by the DoD Component NAF employer. However, if the Federal Government begins to pay a share of the premium for an APF participant’s coverage under the Federal LTC Insurance Program (FLTCIP), DoD Component NAF employers may pay a comparable percentage share of the premium for a NAF participant’s coverage under the NAF employer’s LTC program.

b. FLTCIP.

In accordance with Section 1101 of PL 107-314, the Secretary of Defense has discretionary authority to determine which, if any, DoD NAF employees and retirees will be eligible to apply for LTC insurance under FLTCIP. In accordance with the October 22, 2003 USD(P&R) Memorandum, this authority is delegated to the DASD(CPP).

8.6. MASS TRANSPORTATION BENEFIT PROGRAM.

a. Requirement.

In accordance with DoDI 1000.27, the DoD Components will provide mass transportation benefits to employees, including DoD NAF employees, to the extent authorized by law and regulation, and will appoint an office of primary responsibility to manage the benefit program. DoD Components will coordinate with the applicable DoD Component office of primary responsibility to meet the requirements of DoDI 1000.27.

b. Funding.

Enclosure 4 of DoDI 1000.27 addresses the use of appropriated funds to support DoD Component NAF employers in meeting the requirements of the mass transportation benefit program.

8.7. PROFESSIONAL LIABILITY INSURANCE.

a. General.

Section 636 of PL 104-208 authorized the DoD to reimburse up to one-half of the cost of liability insurance for qualified employees, not to exceed $150 per year. Although this legal requirement does not extend to DoD NAF employees, the DoD Components may extend this benefit to their DoD NAF workforces consistent with the manner in which they extend coverage to APF employees, at a rate not to exceed that applicable to the APF workforce.
b. **Funding.**

If the DoD Components extend this benefit to their qualified DoD NAF employees, NAF dollars must be used to fund the reimbursement.

### 8.8. FLEXIBLE SPENDING ACCOUNT.

a. **General.**

The DoD Component heads of Components with NAF employees may offer healthcare flexible spending accounts and dependent care flexible spending accounts to DoD NAF employees. The establishment and operation of such accounts will comply with IRC and related regulations.

b. **Funding.**

DoD Component NAF employers are not authorized to make a NAF employer payment or a monetary addition to an employee’s flexible spending account, except as required by applicable IRC and CFR provisions for claim funding within the employee’s annual funding obligation before the employee has fully funded the obligation. In such cases, the NAF employer will take appropriate action to obtain full reimbursement from the employee. In addition, DoD Component NAF employers do not have authorization to reimburse an employee for any dollar amounts forfeited in accordance with IRC and CFR provisions but may pay TPA fees on behalf of employees.

### 8.9. WAIVER OF BENEFITS.

Eligible employees who decline to participate in retirement or insurance plans provided, according to this volume, will be required to sign a waiver that explains the benefits declined or that refers the employee to documents that explain the benefits declined. The waiver will also explain how a decision to decline a benefit affects the employee’s subsequent ability to enroll in the respective benefit plan, including any waiting period and evidence of insurability requirements. Place the signed waiver or a memorandum for the record signifying the employee’s refusal to sign a waiver in the employee’s official personnel folder. Use of automated electronic systems to satisfy the intent of these requirements is encouraged.

### 8.10. DOD COMPONENT NAF EMPLOYER-SPECIFIC EMPLOYEE BENEFITS.

The DoD Component heads of Components with NAF employees may propose other employee benefits consistent with NAF employer mission requirements, fiscal consideration, and in accordance with applicable laws and regulations. This discretion does not apply to employee health benefit insurance programs.
## GLOSSARY

### G.1. ACRONYMS.

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<thead>
<tr>
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<th>MEANING</th>
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<tbody>
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<td>Army and Air Force Exchange Service</td>
</tr>
<tr>
<td>APF</td>
<td>appropriated fund</td>
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<tr>
<td>ASD(M&amp;RA)</td>
<td>Assistant Secretary of Defense for Manpower and Reserve Affairs</td>
</tr>
<tr>
<td>BAL</td>
<td>benefits administration letter</td>
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<tr>
<td>BBA</td>
<td>business based action</td>
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<td>BRAC</td>
<td>base realignment and closure</td>
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<tr>
<td>CFR</td>
<td>Code of Federal Regulations</td>
</tr>
<tr>
<td>CSRS</td>
<td>Civil Service Retirement System</td>
</tr>
<tr>
<td>DASD(CPP)</td>
<td>Deputy Assistant Secretary of Defense for Civilian Personnel Policy</td>
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<tr>
<td>DB</td>
<td>defined benefit</td>
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<td>DC</td>
<td>defined contribution</td>
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<td>DCPAS</td>
<td>Defense Civilian Personnel Advisory Service</td>
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<td>DoDD</td>
<td>DoD directive</td>
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<td>DoDI</td>
<td>DoD instruction</td>
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<tr>
<td>FEGLI</td>
<td>Federal Employees Group Life Insurance Program</td>
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<td>FEHB</td>
<td>Federal Employees Health Benefits Program</td>
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<td>FERS</td>
<td>Federal Employees Retirement System</td>
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<tr>
<td>FLTCIP</td>
<td>Federal Long-term Care Insurance Program</td>
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<tr>
<td>HBP</td>
<td>health benefits program</td>
</tr>
<tr>
<td>HDHP</td>
<td>high-deductible health plan</td>
</tr>
<tr>
<td>HIPAA</td>
<td>Health Insurance Portability and Accountability Act</td>
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<tr>
<td>HMO</td>
<td>health maintenance organization</td>
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<tr>
<td>HRA</td>
<td>health reimbursement arrangement</td>
</tr>
<tr>
<td>HSA</td>
<td>health savings account</td>
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<tr>
<td>IRC</td>
<td>Internal Revenue Code</td>
</tr>
<tr>
<td>LTC</td>
<td>long-term care</td>
</tr>
<tr>
<td>LWOP</td>
<td>leave without pay</td>
</tr>
<tr>
<td>NAF</td>
<td>nonappropriated fund</td>
</tr>
<tr>
<td>non-HMO</td>
<td>non-health maintenance organization</td>
</tr>
<tr>
<td>OPM</td>
<td>Office of Personnel Management</td>
</tr>
</tbody>
</table>
GLOSSARY

ACRONYM | MEANING
---------|--------------------------------------------------
PHI      | protected health information                    
PL       | Public Law                                       
PPO      | preferred provider organization                  
PRM      | post-retirement medical                          
QMCSO    | qualified medical child support order            
RFT      | regular full-time                                
RPT      | regular part-time                                
SPD      | summary plan description                         
TCC      | temporary continuation of coverage               
TPA      | third-party administrator                        
UFM      | uniform funding and management                   
USD(P&R) | Under Secretary of Defense for Personnel and Readiness 
USERRA   | Uniformed Services Employment and Reemployment Rights Act 

G.2. DEFINITIONS.

Unless otherwise noted, these terms and their definitions are for the purpose of this volume.

TERM | DEFINITION
------|--------------------------------------------------
actuarial valuation report | An appraisal of a pension fund's assets versus liabilities, using investment, economic, and demographic assumptions to determine whether contributions are being accumulated at a rate sufficient to provide the funds out of which the promised pensions can be paid when due. A mix of statistical studies and experienced judgment are the basis for the assumptions and show, as of a valuation date, the plan’s actuarial liabilities, and assets.

annuity | A fixed sum of money paid on a periodic basis, (e.g., monthly) typically for the rest of an individual’s life. Often used synonymously with “pension.”

annuitant | A person who receives an annuity.

APF | Defined in Section 010201 of Volume 13 of DoD 7000.14-R.

BBA | Defined in Volume 1471 of this instruction.
<table>
<thead>
<tr>
<th>TERM</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRS</td>
<td>OPM-administered DB retirement plan.</td>
</tr>
<tr>
<td>DB plan</td>
<td>A type of retirement plan. The employer promises a specified benefit at retirement that is predetermined by a formula in the plan document (e.g., a combination of the employee’s earnings history, tenure of eligible service, and age).</td>
</tr>
<tr>
<td>DC plan</td>
<td>A type of retirement plan. The employer, employee, or both, contribute to the DC plan on a regular basis. The amounts credited to a participant’s individual account plus any investment earnings, or losses, on the money in the account determine the benefit.</td>
</tr>
<tr>
<td>enrollment class</td>
<td>The category of health benefit coverage, (e.g., single, family) an employee elects when choosing health insurance protection.</td>
</tr>
<tr>
<td>FEGLI</td>
<td>OPM-sponsored group life insurance program.</td>
</tr>
<tr>
<td>FEHB</td>
<td>OPM-sponsored group health insurance program.</td>
</tr>
<tr>
<td>FERS</td>
<td>OPM-administered retirement plan.</td>
</tr>
<tr>
<td>flexible employment category</td>
<td>Defined in Volume 1403 of this instruction.</td>
</tr>
<tr>
<td>flexible spending account</td>
<td>A pre-tax benefit account that is used to pay for eligible medical, dental, and vision care expenses that a health care plan does not cover.</td>
</tr>
<tr>
<td>FLTCIP</td>
<td>OPM-sponsored group long-term care insurance program.</td>
</tr>
<tr>
<td>garnishment</td>
<td>Withholding money from an employee's salary to satisfy a debt usually because of an order issued by a court of law.</td>
</tr>
<tr>
<td>HDHP</td>
<td>A health insurance plan with a deductible of at least $1,350 for an individual plan or a deductible of at least $2,700 for a family plan. The deductible is the amount paid out of pocket for medical expenses before insurance pays anything.</td>
</tr>
<tr>
<td>HMO</td>
<td>A type of health insurance plan that usually limits coverage to care from doctors and medical professionals who work for the HMO. It provides a comprehensive predetermined medical care benefit package.</td>
</tr>
<tr>
<td>TERM</td>
<td>DEFINITION</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>HSA</td>
<td>An HSA is a tax-advantaged medical savings account available to taxpayers in the United States enrolled in a HDHP. The funds contributed to an account are not subject to federal income tax at the time of deposit.</td>
</tr>
<tr>
<td>HRA</td>
<td>An employer-funded account that helps employees pay for qualified medical expenses not covered by their health plans. HRAs are compatible with all types of health insurance plans. The employer owns the HRA.</td>
</tr>
<tr>
<td>indemnity</td>
<td>A non-managed benefit paid by an insurer for a loss insured under a policy.</td>
</tr>
<tr>
<td>internal control</td>
<td>Defined in DoDI 5010.40.</td>
</tr>
<tr>
<td>LWOP</td>
<td>A temporary non-pay status and absence from duty that in most cases is granted at the employee’s request.</td>
</tr>
<tr>
<td>NAF</td>
<td>Defined in Section 010211 of Volume 13 of DoD 7000.14-R.</td>
</tr>
<tr>
<td>NAF employee</td>
<td>DoD employees defined in Section 2105(c) of Title 5, U.S.C.</td>
</tr>
<tr>
<td>NAF instrumentality</td>
<td>Defined in Section 010212 of Volume 13 of DoD 7000.14-R.</td>
</tr>
<tr>
<td>normal cost</td>
<td>The cost of the retirement benefits assigned for services performed.</td>
</tr>
<tr>
<td>pension</td>
<td>In broad terms, a plan maintained by an employer to provide regular retirement payments to employees.</td>
</tr>
<tr>
<td>performance audit</td>
<td>Defined in Enclosure 3 in Section 1 of DoDI 7600.06.</td>
</tr>
<tr>
<td>portability</td>
<td>Refers to the ability to retain certain benefits when an employee moves between NAF and APF civil service positions or between NAF to NAF positions.</td>
</tr>
<tr>
<td>point of service</td>
<td>A health plan that allows members to choose to receive services from a participating or nonparticipating network provider, usually with financial disincentives for going out of network.</td>
</tr>
<tr>
<td>PPO</td>
<td>Hospitals and physician groups that contract on a fee-for-service basis with employers, insurance companies, or other entities to provide comprehensive medical services. Providers exchange discounted services for increased volume and prompt payment.</td>
</tr>
<tr>
<td>TERM</td>
<td>DEFINITION</td>
</tr>
<tr>
<td>-------------------------------</td>
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</tr>
<tr>
<td>regular employment category</td>
<td>Defined in Volume 1403 of this instruction.</td>
</tr>
<tr>
<td>Section 401(k)</td>
<td>A provision of the IRC that allows contributions to retirement savings plans to be treated in a tax-favored status.</td>
</tr>
<tr>
<td>social security integration offset</td>
<td>A provision in most DoD Component NAF retirement plans where as a retiree’s plan formula-based annuity is permanently reduced, at age 62, by a factor of the retiree’s estimated social security benefit.</td>
</tr>
<tr>
<td>spouse</td>
<td>A same-sex or opposite-sex partner in any legally recognized marriage, regardless of the employee’s state of residency.</td>
</tr>
<tr>
<td>status-of-forces agreement</td>
<td>Defined in the DoD Dictionary of Military and Associated Terms.</td>
</tr>
<tr>
<td>tax-qualified</td>
<td>An IRC standard for tax-favored status on retirement plans (e.g., deferring taxes on current plan savings until retirement).</td>
</tr>
<tr>
<td>trust</td>
<td>A legal entity created when assets are transferred to a trustee, or trustees, for the benefit of designated persons.</td>
</tr>
<tr>
<td>trust fund</td>
<td>Assets managed by a trustee or a board of trustees for the benefit of designated persons.</td>
</tr>
<tr>
<td>UFM</td>
<td>Defined in Section 2491 of Title 10, U.S.C.</td>
</tr>
</tbody>
</table>
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Code of Federal Regulations, Title 45


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United States Code, Title 29
United States Code, Title 31
United States Code, Title 38
United States Code, Title 42

2 Available on the Internet at https://www.dcpas.osd.mil/BWN/NAFPolicyMemos