



Billing Code 6325-39

OFFICE OF PERSONNEL MANAGEMENT

5 CFR Part 870

RIN 3206-AM96

Federal Employees' Group Life Insurance Program: Options B and C

AGENCY: U.S. Office of Personnel Management.

ACTION: Proposed rule.

SUMMARY: The U.S. Office of Personnel Management (OPM) is proposing to amend the Federal Employees' Group Life Insurance (FEGLI) regulations to provide an election opportunity for employees enrolled in FEGLI Option B and Option C. This new procedure replaces the procedure by which FEGLI enrollees elect the allowable multiples of coverage they wish to continue during retirement or while receiving compensation.

DATES: Comments are due on or before [INSERT 60 DAYS AFTER THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Ronald Brown, Policy Analyst, (202) 606-0004, or by e-mail to Ronald.Brown@opm.gov.

SUPPLEMENTARY INFORMATION: On October 30, 1998, Public Law 105–311, 112 Stat. 2950, was signed into law. This law, the Federal Employees Life Insurance Improvement Act, changed many parts of the FEGLI Program. Before the enactment of Public Law 105–311, Option B and C coverage began to reduce for annuitants when they reached age 65. Both

coverages were reduced by 2% per month until there was no coverage left. This reduction was automatic, and annuitants had no choice about it.

Public Law 105–311 allows an annuitant to make an election at retirement as to whether or not he/she wants Option B and Option C coverage to reduce. (This also applies to persons becoming insured as compensationers.)

Previous FEGLI regulations provided that shortly before an individual's 65th birthday, he/she would receive a reminder notice, showing what coverage the annuitant/compensationner elected and what the premiums would be for coverage beyond age 65. The individual then had an opportunity to change his/her election, including choosing to have some multiples of Optional insurance reduced and others not reduced. For a person already over age 65 at the time of retirement or becoming insured as a compensationner, the reminder notice was sent as soon as the retirement processing was completed.

On October 1, 2010, OPM published FEGLI final regulations (75 FR 60573) with miscellaneous changes, clarifications, and corrections, ending the election opportunity at age 65. OPM has further reviewed the changes made to 5 CFR 870.705(b) and 870.705(d) that required that any employee separating for retirement or becoming insured as a compensationner elect the number of multiples of Option B and Option C insurance he or she wants to continue by making an election at the time of retirement or at the time he or she becomes insured as a compensationner.

In light of OPM policy to expand the options available under the FEGLI program and the comments received in response to our October 1, 2010 ruling, we are reversing this regulation so that the post-65 election for FEGLI Option B and Option C will be made at the time the enrollee

attains age 65. We are restoring this election opportunity in order to allow enrollees expanded flexibility to choose among several retirement coverage levels beginning at age 65.

Changes

Public Law 105–311, the Federal Employees Life Insurance Improvement Act, 112 Stat. 2950, enacted October 30, 1998, amended chapter 87 of title 5, U.S. Code, to allow a retiring employee to elect either No Reduction or Full Reduction for his/her Option B and Option C coverage. This election was to be made at the time of retirement, the same as the election for Basic insurance. Implementing this provision required programming changes to the electronic records system for an annuitant to allow for “mixed” elections, *i.e.*, electing reductions for some coverage but not for other coverage. While these system changes were being made, an annuitant was required to elect either No Reduction or Full Reduction for Option B and Option C coverage at the time of retirement. Then, shortly before the annuitant’s 65th birthday, the insured was given a second opportunity to make another election, this time being allowed to choose No Reduction for some multiples and Full Reduction for others. While the law states that the election must be made at the time of retirement, enrollees affected by this provision have expressed interest in having a second election. Thus, we are restoring the opportunity for a second election at age 65. This change can be found in section 870.705(b) and 870.705(d).

Regulatory Flexibility Act

I certify that this regulation will not have a significant economic impact on a substantial number of small entities because the regulation only affects life insurance benefits of Federal employees and retirees.

Executive Order 12866, Regulatory Review

This rule has been reviewed by the Office of Management and Budget in accordance with Executive Order 12866.

List of Subjects in 5 CFR Part 870

Administrative practice and procedure, Government employees, Life insurance, Retirement.

U.S. Office of Personnel Management.

Katherine Archuleta,
Director.

For the reasons stated in the preamble, OPM proposes to amend 5 CFR part 870 as follows:

PART 870—FEDERAL EMPLOYEES’ GROUP LIFE INSURANCE PROGRAM

1. The authority citation for 5 CFR part 870 is revised to read as follows:

Authority: 5 U.S.C. 8716; Subpart J also issued under section 599C of Pub. L. 101–513, 104 Stat. 2064, as amended; Sec. 870.302(a)(3)(ii) also issued under section 153 of Pub. L. 104–134, 110 Stat. 1321; Sec. 870.302(a)(3) also issued under sections 11202(f), 11232(e), and 11246(b) and (c) of Pub. L. 105–33, 111 Stat. 251, and section 7(e) of Pub. L. 105–274, 112 Stat. 2419; Sec. 870.302(a)(3) also issued under section 145 of Pub. L. 106–522, 114 Stat. 2472; Secs. 870.302(b)(8), 870.601(a), and 870.602(b) also issued under Pub. L. 110–279, 122 Stat. 2604; Subpart E also issued under 5 U.S.C. 8702(c); Sec. 870.601(d)(3) also issued under 5 U.S.C. 8706(d); Sec. 870.703(e)(1) also

issued under section 502 of Pub. L. 110–177, 121 Stat. 2542; Sec. 870.705 also issued under 5 U.S.C. 8714b(c) and 8714c(c); Public Law 104–106, 110 Stat. 521.

Subpart G—Annuitants and Compensationers

2. Amend §870.705 by revising paragraph (b)(3)(ii), adding paragraph (b)(4), and revising paragraph (d)(1)(i) to read as follows:

§ 870.705 Amount and election of Option B and Option C.

* * * * *

(b) * * *

(3) * * *

(ii) Except as provided in paragraph (b)(4) of this section, after reaching age 65, an annuitant or compensationner cannot change from Full Reduction to No Reduction.

(4)(i) Shortly before an annuitant or compensationner’s 65 birthday, the retirement system will send a reminder about the election he/she made and will offer the individual a chance to change the election. At that time, the annuitant or compensationner can choose to have some multiples of Option B and Option C reduce and some not reduce.

(ii) If the individual is already 65 or older at the time of retirement or becoming insured as a compensationner, the retirement system will send the reminder and give the opportunity to change the election as soon as the retirement processing or compensation transfer is complete.

(iii) If the individual assigned his/her insurance as provided in subpart I of this part, and if the employee elected No Reduction for Option B coverage at the time of retirement or becoming insured as a compensationner, the retirement system will send the reminder notice for Option B coverage to the assignee.

(iv) An annuitant or compensationner who wishes to change his/her reduction election must return the notice by the end of the month following the month in which the individual turns 65, or if already over age 65, by the end of the 4th month after the date of the letter. An annuitant or compensationner who does not return the election notice will keep his/her initial election.

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(d)(1) * * *

(i) Annuitants and compensationners who were under age 65 were notified of the option to elect No Reduction. The retirement system will send these individuals an actual election notice before their 65th birthday, as provided in paragraph (b)(4) of this section.

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