



Improving the Capabilities of the HR Workforce

DCPAS VIRTUAL BENEFITS SYMPOSIUM

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

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Nonappropriated Fund Employees and Employers

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



NAF Employees and NAF Employers

- Heads of DoD NAF employers are delegated responsibility for NAF personnel management, consistent with DoD policy.
- DoD NAF employers have the flexibility to determine most benefit levels and coverage, except for health benefits.
- DoD NAF policy administratively extends the same level of annual and sick leave benefits as civil service employees under Title 5.
- Family Medical Leave Act applies to NAF employees; DoD NAF employers have discretion to extend “family friendly” provisions.
- NAF employees are covered by the Longshore and Harbor Workers Compensation Act, not FECA.
- NAF employees are not eligible for FEHBP, FEGLI, or FSAFEDS.
- A uniform DoD NAF health benefits program covers DoD NAF employees, regardless of NAF employer.



NAF Employees and NAF Employers

WHAT IS NAF EMPLOYMENT?

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

WHO ARE THE MAJOR DOD NAF EMPLOYERS?

- Army - Family and Morale, Welfare and Recreation.
- Air Force Services - Morale, Welfare and Recreation.
- Commander, Navy Installations Command (CNIC).
- Marine Corps Community Services (MCCS).
- Navy Exchange Service Command (NEXCOM).
- Army and Air Force Exchange Service (AAFES).



NAF Benefits Programs*

- Defined Benefit Retirement Plan (each NAF employer sponsors their own plan).
- 401(K) Defined Contribution Plans (each NAF employer sponsors their own plan).
- Group Life Insurance.
- DoD NAF Health Benefits Program.
 - Is a uniform program required by law.
 - Is a self-insured medical plan which covers employees, retirees, and their dependents.
 - Offers a high Deductible Health Plan with Health Savings Account.
 - Offers a Medicare Advantage with Prescription Drug Plan for retirees and their eligible dependents.
 - Provides medical, dental, and vision benefits.
- Flexible Spending Accounts.
- Federal Long Term Care Insurance Program.
- Short and Long-Term Disability.
- Personal Accident Insurance.
- Travel Accident Insurance.

* Benefits programs may vary depending on the DoD NAF employer.



The Six DoD NAF Retirement Plans*

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

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



DoD NAF World-Wide Workforce

• Navy (NEXCOM, CNIC, Marine Corps)	38,234
• Army and Air Force Exchange Service	21,246
• Army	22,892
• Air Force	18,767
• DoD Agencies	<u>1,032</u>
	102,171*

*DMDC data as of June 2024



QUESTIONS?



What is Portability of Benefits?

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



What you need to know

CIVIL SERVICE HUMAN RESOURCES (HR) PROFESSIONALS NEED TO KNOW:

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

ALL HR PROFESSIONALS NEED TO HAVE:

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



Public Laws

PUBLIC LAW 99-638 (1986)

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

PUBLIC LAW 101-508 (1990)

- Provides pay and benefit protection - moves must be between DoD positions.
- Covers moves within DoD on or after January 1, 1987, without a break of more than 3 days.
- Permits vested employees to remain in previous employer's retirement system.

PUBLIC LAW 104-106 (1996)

- Covers moves between DoD or Coast Guard NAF and civil service positions in any agency.
- Covers moves where break in service is 1 year or less.
- Allows certain FERS and NAF employees moving on or after January 1, 1966, and before August 10, 1996, to make retroactive elections to combine service.



Public Law 107-107

Section 1131 of the Defense Authorization Act for FY02, P.L. 107-107

- Permits employees to elect to remain in losing employer's retirement system, *even if not vested*.
- Applies to employees moving after December 28, 2001.
- Covers moves when a break in service is 1 year or less.

Section 1132 of the Defense Authorization Act for FY02, P.L. 107-107

- Permits CSRS and FERS employees to use prior NAF service to qualify for an immediate retirement.
- Credit for NAF service will not result in a higher CSRS or FERS annuity benefit. Credit will also be cost neutral to the Government.
- NAF service used for CSRS or FERS credit cannot be credited for any other purpose under a NAF retirement system.
- Available only to those who do not qualify for immediate retirement without NAF service.
- Election to use NAF service is made at time of retirement.



Retirement Coverage Election

- Employees may elect to retain coverage in their current retirement system; or enter the gaining employer's retirement system with no transfer of service credit.
- Employee has 30 days to make an election from date of appointment:
 - RI 38-134 election to retain NAF retirement coverage.
 - RI 38-144 election to retain CSRS/FERS coverage.
- Retirement election is a one-time opportunity in each direction.
- ***Election decision is irrevocable*** regardless of future moves between NAF and civil service employment, breaks in service, and changes in retirement status.

ELIGIBILITY REQUIREMENTS

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



Retirement Coverage Election (continued)

ONE-TIME OPPORTUNITY

- **Move from NAF to civil service:** one opportunity to remain in the NAF retirement plan as a civil service employee.
- **Move from civil service to NAF:** one opportunity to remain in CSRS/FERS as a NAF employee.
- Employees who elect not to remain in their previous retirement system enter the gaining employment system's retirement plan.
- Employees who elect to continue their retirement coverage remain in that system for all future periods of NAF service or civil service.
- Retirement system election determines TSP or NAF 401(k) coverage:
 - Employees in CSRS or FERS may participate in TSP; they may not participate in the NAF 401(k).
 - Employees in a NAF retirement plan may participate in a NAF 401(k) plan; they may not participate in TSP.
 - The retirement RI form is not the enrollment form for the 401(k) plan; contact the NAF HRO for the 401(k) enrollment instructions.



Portability of Non-Retirement Benefits

- Portability eligibility requirements differ for retirement and non-retirement benefits.
- Moves must be between DoD positions without a break in service of more than 3 days.
- Non-retirement benefits:
 - Leave (annual, sick or home)
 - Pay
 - Severance Pay
 - Reduction-in-force/Business-Based Action
- Annual, Sick, and Home Leave
 - Service credited towards leave accrual.
 - Leave balances transfer. No lump sum payment to employees, or transfer of funds between employers.
 - Travel, transportation, and relocation expenses and allowances authorized in same manner as for transferred employees.
 - Civil service Reduction in Force (RIF) and NAF Business Based Action (BBA) purposes = service credited.



Human Resources Office Responsibilities

APPOINTING HUMAN RESOURCES OFFICE (HRO) - CIVIL SERVICE OR NAF

- Review employee's OPF to:
 - (1) identify prior service that may qualify for portability of benefits, and
 - (2) determine if the employee made a previous retirement portability election.
- Document employee's eligibility for portability on personnel forms and retirement election form.
- Provide written notice to employee explaining options and election form RI 38-134/144. Answer employee's questions about retaining retirement coverage. Document in OPF that employee received election form; coordinate with former employment system's HRO and retirement benefits staff.
- Ensure a copy of the election form is forwarded to the losing agency.
- Coordinate with payroll and retirement benefits staff to ensure contributions and deductions are correctly coded and submitted to the correct retirement system.
- Ensure leave balances transfer, appropriate service credit is given, and employee's Merged Record Personnel Folder is complete.
- When errors occur, the HRO must take an active role to ensure corrections are made.



HRO Responsibilities (continued)

DoD NAF FORMS EQUIVALENT TO THE CIVIL SERVICE SF-50

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

RETIREMENT SYSTEM CODE IS “5-OTHER RETIREMENT SYSTEMS”

- NAF SUB-CODES ARE:

5A = Department of Army

5B = CNIC

5C = NEXCOM

5D = Department of Air Force

5E = U.S. Marine Corps

5F = AAFES

5G = Coast Guard; a part of Homeland Security



HRO Responsibilities (continued)

LOSING (SEPARATING) HRO (CIVIL SERVICE OR NAF)

- Documents employee's personnel action indicating move to the other employment system.
- Coordinates with payroll and gaining HRO to transfer leave balances, preventing erroneous payout of annual leave.
- Coordinates with gaining HRO to transfer records, document portability of benefits eligibility, and advise employee.
- The losing HRO does not provide the employee with a retirement coverage election; that is the appointing HRO's responsibility.
- Error Correction – collaborates and takes an active role in assisting to resolve errors.



Resources - Where to Find Help

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

[https://www.dcpas.osd.mil/sites/default/files/202104/DPCAS Portability of Benefits Reference Guide Final February 26 2021 update.pdf](https://www.dcpas.osd.mil/sites/default/files/202104/DPCAS%20Portability%20of%20Benefits%20Reference%20Guide%20Final%20February%2026%202021%20update.pdf)

Reference Guide contains:

- Summary of public laws, regulations, policy, and references.
- Summary of key HRO responsibilities.
- Appointment and separation processing guidance.
- Retirement election forms and guidance.
- Guidance for processing retirements for employees who retained NAF retirement coverage.
- Points of contact addresses and phone numbers.
- Frequently Asked Questions.

Portability of Benefits Toolkit, found on the DCPAS website: <https://www.dcpas.osd.mil/policy/naf/dodportabilitybenefits>

Portability guidance is available in OPM Benefits Administration Letters (BALs): 96-107, 96-108, 02-102, and 03-102.

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

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



QUESTIONS?



Please take a moment to
provide us your feedback

You can scan the QR code or go to:

<https://forms.osi.apps.mil/r/bu78Gh9DjY>

NAF Personnel System &
Portability of Benefits

