FACT SHEET: Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payments (VSIP)

DOD has been granted agency-specific VERA and VSIP authority and is not required to seek the approval of the Office of Personnel Management. VSIP authority allows DOD to offer employees lump-sum payments up to $40,000 as an incentive to voluntarily separate, as authorized by Sec. 1103 of the National Defense Authorization Act for Fiscal Year 2018, P.L. 115-91. This lump-sum payment limit is effective until Sept. 30, 2021.

DOD's VERA and VSIP authority can be used to reduce the number of personnel or to restructure the workforce to meet mission objectives without reducing the overall number of personnel. DOD employees may be eligible for early retirement, offered separation incentive pay to separate from service voluntarily, or both.

DOD's VSIP and VERA procedures are outlined in DODI 1400.25: Volume 1702, DOD Civilian Personnel Management System: Voluntary Separation Programs (April 2009).

VERA:

- VERA may be approved for substantial delayering, reorganization, or RIF.
- VERA is not authorized in conjunction with transfer of function unless there are fewer positions in the gaining competitive area and employees would otherwise be separated by RIF.
- VERA may be based on occupation; grade or pay band; skills, knowledge or other factors related to a position; organizational, geographical, and nonpersonal and objective factors; or any combination of these factors.
- An employee shall not be forced or coerced in any way to retire under VERA.

Early Retirement Eligibility:

- An employee who is at least 50 years of age and has completed 20 years of service, or has at least 25 years of service, may apply for early retirement and be retired from DOD and receive benefits if she has been employed continuously within DOD for more than 30 days before the date on which the determination to conduct a reduction or restructuring within one or more DOD components is approved.
- To be eligible for early retirement, employees must:
  - Be serving under an appointment without time limitation.
  - Not have received a specific RIF separation notice or a decision notice of involuntary separation for misconduct or unacceptable performance.
• Not be retiring as a result of declining a transfer of function, directed reassignment, or other management-initiated relocation outside the commuting area.
• Employees accepting early or optional retirement in conjunction with a buyout must meet the age and years of service requirements for retirement eligibility by the effective date of their retirement.

**Purpose and Use of Buyouts:**

- 5 USC 9902(f) authorizes the Secretary of Defense to establish a buyout program to reduce the number of personnel employed by DOD or to restructure the workforce to meet mission objectives without reducing the overall number of personnel.
- Eligible employees may separate from service voluntarily (either by retirement or resignation) to avoid or minimize the need for involuntary separations due to reduction in force or for workforce restructuring.
- The downsizing buyout may be offered at any time and location where the acceptance of an incentive avoids civilian involuntary separations.
- To avoid any appearance of misuse or misunderstanding of purpose, installations deciding to use buyouts to avoid civilian involuntary separations must offer the buyouts at least 30 days before RIF notices are issued.
- Workforce restructuring buyouts allow DOD to reshape its workforce without resorting to RIF, a RIF avoidance action, or the loss of a position. The application and use of the buyout must be tied directly to workforce restructuring actions in which management offers the buyout to create vacancies that shall be reshaped to meet DOD’s mission objectives.
- Workforce restructuring buyouts may be used to correct skill imbalances or to reduce managerial or supervisory positions.

**VSIP Eligibility:**

- DOD may not authorize the payment of voluntary separation incentive to more than 25,000 employees in any fiscal year.
- Only U.S. citizen employees, as defined by 5 USC 9902(f) and nonappropriated fund employees are eligible for buyouts.
- An employee must be serving under an appointment without time limitation and must have been employed by DOD for a continuous period of at least 12 months immediately preceding the effective date of separation to be eligible for a buyout.
- The following types of employees are not eligible for a VSIP:
  • Reemployed annuitants.
  • Employees having a disability on the basis of which they are or would be eligible
for disability retirement.

- Employees who have received a decision notice of involuntary separation for misconduct or unacceptable performance.
- Schedule C excepted appointees.
- Non-compensated employees.
- Employees who have accepted a position with another federal agency.
- Employees who have received a specific notice of RIF separation.
- Employees who have declined to relocate with their position or declined a transfer of function.
- Employees who have previously received a buyout.

Absent a waiver, an employee meeting any of these criteria is ineligible for a buyout:

- Covered by a written service agreement such as those required in conjunction with permanent change of station, training, student loan repayments, critical acquisition positions, or recruitment, relocation, or retention incentives.
- Receiving a retention incentive.
- Occupying a position for which special salary rates or targeted local market supplements under NSPS are approved.
- Occupying a position defined as "hard to fill."
- An employee does not have to be eligible for severance pay to receive a buyout. The receipt of a buyout does not affect any subsequent entitlement to severance pay as provided in 5 USC 9902(f)(5)(B).
- Employees accepting early retirement in accordance with authorities other than an approved VERA are not eligible for buyouts.
- Receipt of a buyout or an early retirement is not an employee entitlement.
- When the number of employees applying for VSIP exceeds the offers available, applications are processed in order of seniority using the service computation date-leave.

**VSIP Payments:**

- Separation pay must be paid in a lump sum or in installments and must be equal to the lesser of an amount equal to the amount the employee would be entitled to receive under 5 USC 5595(c), if the employee were entitled to payment under that provision, or an amount determined by DOD, not to exceed $40,000.
- The amount of separation pay is not discretionary. Supporting HR offices must calculate the amount using the severance pay formula specified in 5 USC 5595(c), which includes a reduction in the maximum entitlement based on severance pay previously received.
Separation pay must not be a basis for payment, and must not be included in the computation, of any other type of government benefit.

Separation pay must not be taken into account for the purpose of determining the amount of any severance pay to which an individual may be entitled under 5 USC 5595.

Buyout of Employees Receiving Office of Workers’ Compensation Programs (OWCP) Pay:

- The Office of Workers' Compensation Programs must be notified prior to payment of a buyout to any employee who is currently receiving injury compensation payments.
- After the buyout action is effected, the supporting HR office must send a copy of the SF-50, Notification of Personnel Action, to OWCP.
- OWCP must suspend wage loss benefits for total disability for the number of weeks for which the separation incentive pay represents the salary of the employee at the time of the effective date of separation or retirement.

Reemployment With Federal Government:

- If separation pay is paid in installments, it must cease to be paid if the recipient accepts employment with the federal government, or begins working under a personal services contract as described in 5 USC 9902(f)(6).
- An employee who receives VSIP separation pay may not be reemployed by DOD for a 12-month period beginning on the effective date of her separation, unless the prohibition is waived by DOD on a case-by-case basis.
- A DOD employee approved for payment of a buyout is prohibited from registering in the DOD Priority Placement Program. If registered in error, the employee must be immediately removed from the program.
- An employee who receives VSIP separation pay and accepts employment with the federal government, or who commences work through a personal services contract with the United States within five years after the date of the separation on which payment of the separation pay is based, must repay the entire amount of the separation pay to DOD.

Waivers of Repayment:

- If the employment is with an executive agency other than DOD, the Director may, at the request of the head of that agency, waive the repayment if the individual
involved possesses unique abilities and is the only qualified applicant available for the position.

- If the employment is within DOD, the Secretary may waive the repayment if the individual involved is the only qualified applicant available for the position.
- If the employment is with an entity in the legislative branch, the head of the entity or the appointing official may waive the repayment if the individual involved possesses unique abilities and is the only qualified applicant available for the position.
- If the employment is with the judicial branch, the Director of the Administrative Office of the United States Courts may waive the repayment if the individual involved possesses unique abilities and is the only qualified applicant available for the position.

Resources:


VERA and/or VSIP Eligibility Checklist:

VERA VSIP Eligibility Checklist.pdf

Retirement Eligibility Requirements:

Retirement Eligibility Requirements.pdf

Retirement Eligibility Reminders:

Retirement Eligibility Reminders.pdf
DOD Pay Agreements:

DOD Pay Agreements.pdf