

## Voluntary Separation Incentive Pay (VSIP)

VSIP, commonly referred to as a “buyout,” is authorized within the Department of Defense (DoD) for reducing involuntary separations, and for restructuring the workforce to meet mission objectives. When buyouts are offered in either scenario, Commanders, Managers, and Human Resources Offices (HRO) must ensure that all transactions are consistent with the intended purpose of VSIP and compliant with Department of Defense Instruction 1400.25, Volume 1702, “Voluntary Separation Programs,” hereafter referred to as Volume 1702.

Downsizing buyouts may be offered whenever acceptance of an incentive saves a civilian employee from involuntary separation. If an incentive payment does not avert an involuntary separation, it cannot be approved under the downsizing VSIP authority. On-site evaluations reflect that some downsizing buyouts cannot be validated because the supporting HRO did not maintain a complete audit trail.

Proper documentation must include enough information to demonstrate that the buyout saved an employee from involuntary separation. A redacted audit trail for two downsizing buyouts paid to Army employees at the Rocky Mountain Arsenal is available for review at [www.cpms.osd.mil/care/care\\_bestpractices.aspx](http://www.cpms.osd.mil/care/care_bestpractices.aspx). It is a good example of an audit trail that enables a third party to reconstruct the transaction from start to finish.

As explained in Volume 1702, buyouts may also be offered for the purpose of restructuring or reshaping the workforce to meet mission objectives. This type of buyout can be used to correct skill imbalances or to reduce managerial or supervisory positions without resorting to RIF. Position restructuring is restricted to the specific vacancy created by application of the buyout. A restructuring buyout is not authorized unless the resulting vacancy reflects a change in grade (full-performance), pay band, dominant position duties, occupation, or supervisory status.

- Approval of restructuring buyouts requires the following:
  - A complete audit trail, which clarifies the VSIP authority was properly used.
  - Filling incentivized vacancies immediately, which supports the rationale that restructuring was required.
  - A documented change to the full-performance grade, pay band, dominant duties, occupation, or supervisory status of the restructured position(s).

There is no standard DoD restructuring VSIP audit trail template. However, files should include enough information to show that the buyouts were organizationally necessary, and that the vacated positions were restructured in accordance with the criteria in Volume 1702. Sample audit trails for two hypothetical restructuring buyouts are available for review at [www.cpms.osd.mil/care/care\\_bestpractices.aspx](http://www.cpms.osd.mil/care/care_bestpractices.aspx).

As explained in Volume 1702, VSIP recipients are subject to two statutory reemployment restrictions. They cannot be reemployed by the Department within 12 months of

their separation date, and they are required to repay the full amount of the buyout, including taxes and deductions, if reemployed by any Federal agency within 5 years of separation. Both restrictions apply to all Federally compensated forms of employment, to include time-limited and intermittent appointments, as well as employment in non-appropriated fund organizations or with a personal services contract.

The Secretary of Defense has authority to waive reemployment restrictions on a case-by-case basis within DoD. However, waiving repayment of VSIP is not permitted unless the individual concerned is the only qualified applicant available for the position. Requests for waivers must be submitted in accordance with the instructions in Volume 1702. It is important to note that the Office of Personnel Management (OPM) does not have jurisdiction over the Department's current VSIP authority, which is codified in section 9902(f) of title 5, United States Code. Therefore, waiver authorities granted by OPM do not apply to DoD buyouts paid after September 30, 2003.

When a VSIP recipient is rehired and the repayment restriction is not waived, the servicing HRO is responsible for notifying the servicing Defense Finance and Accounting Service payroll office that the employee is subject to VSIP repayment by submitting a payroll remedy ticket and providing copies of the employee's separation and reemployment Notices of Personnel Action. The servicing payroll office will notify the former payroll office, which will then issue the debt letter to the employee and make arrangements to collect the debt.

Based on reviews during the last 2 years, it is apparent that some HROs failed to screen rehires and identify buyout recipients. Consequently, they failed to comply with the VSIP reemployment restrictions. It is imperative that HROs implement appropriate measures to ensure that these restrictions are properly and consistently applied.

Questions on the DoD VSIP policy and waiver provisions should be addressed to [CARE\\_Info@rosslyn.cpms.osd.mil](mailto:CARE_Info@rosslyn.cpms.osd.mil).